EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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TRANSPORT
Australia and the Very Fast Train
Page 3

World News

EC considers next moves in dispute with US

The EC seems determined to force the pace in its escalating dispute with the US over a ban on imports of meat containing growth hormones. Community ambassadors meet tomorrow to consider the timing and content of further restrictions on US exports. Page 4; Lord Cockfield speaks out, Page 14

Most of jet found

British police said that 80-90 per cent of the wreckage had now been found of the Pan Am jet brought down by a bomb over Scotland on December 21. Page 5

Libya chemical plant

US Defence Department refused to rule out an attack against an alleged chemical weapons plant in Libya. The New York Times said US officials had determined that Imhausen-Chemie, a West German firm, helped Libya design and build the plant.

Poland to cut army

Polish Defence Minister Florian Siwicki said about 15,000 men had been shed from the armed forces and that tens of thousands more would go. Page 14

W Sahara talks

Leaders of the Polisario Front, fighting for the independence of Western Sahara, were due to have their first direct contact with King Hassan of Morocco in Marrakesh. Page 3

Shultz subpoena

Lawyers for former White House aide Oliver North issued a subpoena for Secretary of State George Shultz and other State Department officials to testify in the trial arising from the Iran-Contra affair.

Mitterrand accused

French conservatives accused President François Mitterrand of having timed recent announcements of immigration law reform to stir up racism and hence split support for the right ahead of municipal elections on March 12.

Hope dashed for 17

Officials in Armenia said French radio reports that 17 people had been pulled out of the earthquake ruins alive after 24 days were unfounded.

Afghan peace moves

Soviet First Deputy Foreign Minister Yuli Vorontsov arrives in Islamabad today for talks with Afghan opposition groups, following earlier discussions with Iran-based parties. Assembly plan, Page 3

Nasser freed on bail

Gamal Shawki Abdel Nasser, nephew of Egypt's late President, was released on bail by a Cairo court after returning to Egypt to defend himself in the trial of a revolutionary group accused of killing Israelis.

Ottoman archives

Turkey said it would open the archives of the Ottoman empire to refute allegations that up to 1.5m Armenians were killed there during the First World War. Torture allegations, Page 3

Dukakis bows out

Michael Dukakis, defeated Democratic presidential candidate, would not seek a fourth term as Massachusetts governor but refused to rule out bid for the White House in 1992.

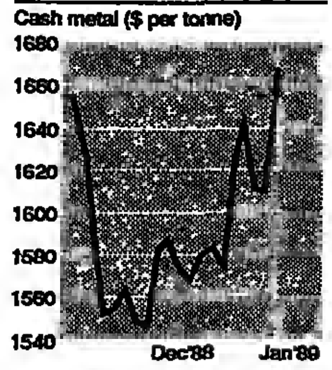
Business Summary

Washington says Plessey bid does not harm security

US Government decided that joint bid by GEC of UK and Siemens of West Germany for Plessey, UK electronics company, does not endanger its national security, clearing away a potential hurdle which could have derailed proposed takeover. Page 15

ZINC prices surged on LME, brushing aside rise in warehouse stocks, on news that Big River Zinc of US is raising producer price for special high grade zinc by 3 cents to 78.50 cents a lb. Three-month high grade metal closed at record $1,605.50 a tonne, up $49 since last Friday, with cash deliveries only $5 off October's record at $1,667.50 a tonne. Page 22

Zinc
Cash metal ($ per tonne)



WEST Germany recorded its second-largest monthly trade surplus of 1988 to November, at DM13.1bn ($7.4bn). Analysts expect full year figure to top DM125bn, up from DM117.7bn in 1987. Page 2

GENERAL Cinema's $1.5bn sale of soft-drinks bottling business to PepsiCo has fallen through after regulators' request for further information caused it to miss year-end deadline. Page 15

ICELAND devalued currency for fourth time in less than a year in move designed to help ailing fishing industry, in face of a slump in export prices. Page 2

KOHLBERG Kravis Roberts, leading US leveraged buyout firm which recently won biggest ever takeover battle for RJR Nabisco, is contemplating acquisitions in US banking. Page 16

SOVIET oil production fell by more than 100,000 barrels a day in third quarter to estimated 12.47m b/d, possibly reflecting broader problems in national economy. Page 2

COMPAGNIE Générale d'Electricité (CGE), French telecommunications and engineering company privatised 18 months ago, launched FFr3.17bn ($523.2m) convertible bond issue. Page 16

INDIA'S critical balance of payments difficulties have forced Government to reject plans to import additional 2m tonnes of wheat, raising spectre of shortages if winter crop is not good. Page 3

EUROBOND markets recovered from holiday lull with fervour that surprised even seasoned operators, as nine separate issues attracted brisk demand. Page 18

ITALY officially slipped back to sixth place in league table of leading industrial nations — behind Britain, which it briefly overtook in 1987. Page 3

IRISH Stock Exchange issued own official equity index, for first time, including all official list and USM equities, but not British-registered companies with considerable Irish interests such as Guinness and Grand Metropolitan. Page 34

BP pays Kuwaitis £2.4bn to buy back 11.7% stake

By Steven Butler and Kenneth Gooding in London and Haifaa Khalafallah in Kuwait

BRITISH Petroleum is to spend £2.4bn on buying back 11.7 per cent of its own shares from the Kuwait Investment Office in the biggest deal of its type ever seen on the UK capital markets.

The deal will cut the KIO stake in BP to 9.9 per cent — in line with a UK Government divestment order last October — and emerged along with plans for a $4.32bn (£2.4bn) sale of BP's minerals operations to RTZ Corporation, the world's largest mining group.

Sir Peter Walters, BP chairman, said it was a coincidence that the deals were announced at the same time and involved similar sums. He said, however, that the cash from the sale to RTZ, the biggest private deal between two British companies, would play an important role in reducing BP's debt position.

The agreement in principle with RTZ is to be voted on at an extraordinary general meeting at the end of the month. BP said major shareholders polled at the weekend expressed unqualified support.

BP's share buy-back brings down the curtain on speculation about the KIO's plans for its stake, built up to the wake of the Government's controversial decision to go ahead with the sale of its remaining BP stake to spite of the stock market collapse in 1987.

Under the deal, agreed at the weekend, the shares being bought in, at 305p each, are to be cancelled. BP will take them on a fully-paid basis at 247p each, but will be liable to pay 58p a share in advance corporation tax. This is to be refunded to the KIO, which as representative of a sovereign government is not liable to pay the tax.

This aspect of the deal was criticised as a "tax fiddle" last night by Mr Dennis Skinner, Labour MP for Bolsover. He said the net effect of the Government's insistence on proceeding with the BP share sale in the face of widespread criticism was that taxpayers were bailing out BP with some £450m of Government money.

The deal, to be completed on March 13, will allow the KIO to receive the final dividend for 1988, which is yet to be unannounced.

Kuwait said yesterday that, in deciding to to agree the deal with BP, it had turned down a lower offer from a US oil company to buy its entire stake to the British company.

A statement from a Kuwaiti oil official, to be carried in Kuwaiti daily newspapers today, says an unnamed US oil company offered to buy the shares the KIO is obliged to sell under the divestment order, on condition that the KIO would sell it the remaining 9.9 per cent stake in BP over five years.

Industry observers believed the US oil company involved was Pennzoil, which yesterday had no comment.

The Kuwaiti statement comes in apparent anticipation of domestic criticism of the sale to BP. It says the KIO received many offers for its stake bnt accepted BP's because of the attractive price compared with yesterday's closing price of 252p, up 3p on the day.

The outcome leaves Kuwait with a profit of about £380m on its BP stake, an annual compound return of more than 30 per cent, the statement says.

The main attraction to RTZ of BP Minerals is that it will boost significantly RTZ's so-far minimal involvement in the gold business. The gronp, which has recently been involved in major restructuring, will become the third-largest gold prodncer outside South Africa, with an annual output of more than 1m troy ounces.

At the same time its share of the western world's copper output will rise from 4 per cent to 6.5 per cent and its share of uranium production from 8 per cent to 10 per cent.

RTZ also gains a strong position in the lucrative titanium dioxide feedstock business, which provides white pigment for paints, papers and ceramics.

Apart from paying the proposed $4.32bn, RTZ would assume responsibility for project financing of $66m.

Golden opportunity, Page 15; Lex, Page 14

1987 — March 18: Government plans sale of 32 per cent BP stake.
October 15: offer price set at 330p per share, 6 per cent discount on existing shares, amid City predictions that partly paid shares would go to premium of about 30 per cent when trading started on October 30;
October 19 to 27: Stock market crash knocks BP shares from 350p to 266p. TV advertising of offer cancelled, but underwriters' call to delay sale denied.
October 28: offer day: shares down to 254p but 300,000 apply.
October 29: Bank of England safety-net offer to buy shares back at the much reduced market price.
November 6 to December 30: Kuwait Investment Office reported initially to have acquired 15 per cent of issue (4.9 per cent stake in BP) and lifts stake to 18 per cent. Suggestions it could hit 25 per cent.
1988 — February 9: KIO stake reaches 19.27 per cent.
February 18: BP voices misgiving about KIO stake.
February 21: Kuwait pledges not to interfere in company.
March 13: stake tops 20 per cent and KIO says it will not go beyond 22.5 per cent in short term.
May 4: Government orders Monopolies and Mergers Commission inquiry.
October 5: KIO told to reduce stake to 9.9 per cent in 12 months on MMC recommendation.

Curbs signal Comecon trade battle

By Quentin Peel in Moscow and Leslie Colitt in Berlin

FRESH SIGNS emerged yesterday of the intensity of a tit-for-tat battle raging between the members of Comecon, the Communist trading bloc, as a Soviet official said Moscow migbt extend its newly imposed restrictions on the goods visitors are permitted to take out of the country.

The Soviet Union this week followed Czechoslovakia, East Germany and Poland in decreeing curbs on the volume and variety of consumer items thet visitors may buy.

All four countries have difficulty in supplying their own citizens with consumer goods, and had apparently become exasperated at the outflow of such products to visitors from other Communist countries, whose payments in non-convertible currency were of little benefit to the economy.

A roaring trade, often at black market prices and exchange rates, had developed in consumer goods which were less scarce in one socialist market than another. The new wave of cross-border shopping expeditions is a result of growing relaxation of travel restrictions between Comecon states. It has also prompted wide-scale local resentment at the growth in foreign visitors.

Trade relations among the Comecon states, which are supposedly committed to creating an integrated market, had already come under strain as lower prices for Soviet oil and commodities had limited the amount of East European goods Moscow could absorb under the barter-like state trading system.

Mr Valery Draganov, deputy head of the Soviet customs control department, defended his country's move on grounds that "the duty of any state is to protect its own market."

He told the newspaper Komsomolskaya Pravda that in the first 10 months of 1988, more than 400,000 Soviet television sets, more than 200,000 refrigerators and freezers and 50,000 washing machines had been taken out of the country.

Under the new Soviet restrictions, visitors to the Soviet Union will not be allowed to take out more than 100 roubles ($166) worth of consumer goods each, with an outright ban on scarce items like caviar, coffee, televisions, refrigerators, freezers, washing machines and children's clothing.

Few Western tourists would be in the market for such commodities, and the restrictions are clearly aimed at fraternal socialist visitors shopping with roubles.

It is expected that caviar will continue to be available, for hard currency, to Western visitors.

Mr Draganov said that further items might be added to the list of restricted Soviet goods and he admitted that the matter had not been discussed within Comecon.

A Comecon spokesman said customs questions were not part of that organisation's responsibility. "It is the prerogative of each country to take decisions on customs regulations," Mr Anatoly Uglov said. Comecon did not have a department which could answer questions on the matter.

Background, Page 2; Poland to cut forces, Page 14

Peru ready to negotiate fresh borrowing deal with the IMF

By Veronica Baruffati in Lima

PERU is to make its first formal effort to resume borrowing from the International Monetary Fund since it was barred from receiving fresh funds more than two years ago. That followed Peru's decision in 1985 to limit debt service payments to 10 per cent of its export earning.

Mr Carlos Rivas Davila, Peru's Finance Minister, said yesterday in Lima that he would meet IMF officials in Washington in the middle of this month.

The IMF suspended Peruvian borrowings in August 1986, when it was about $158m in arrears to its repayments to the fund.

Of Peru's total international debt of abont $15.4bn, more than $500m is estimated as now owed to the IMF. It is one of only five nations barred from borrowing from the Fund. The others are Vietnam, Guyana, Liberia and Sudan.

Yesterday's announcement follows initial informal contacts between the IMF and Peru late last year after IMF officials at their annual meeting in Berlin in September offered to renew efforts to bring countries such as Peru back into the fold.

While the IMF will not lend to a country in arrears with debt and interest repayments, it has suggested that a group of "friendly" nations with links to Peru could advance a bridging loan to allow repayment of the overdue funds.

That, coupled with talks about long-range structural economic adjustments, could open the door to further lending.

The country has increasingly become a pariah to the international banking community. Following its nationalisation of banks in 1986, mnch of the country's foreign trade lending facilities were terminated.

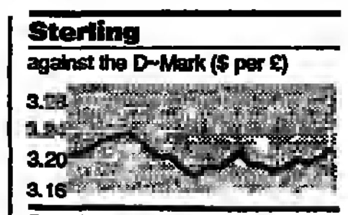
However, Peruvian officials have recently adopted a much more conciliatory attitude towards the IMF and the World Bank as President Alan Garcia, who has insisted on a harder line, has become increasingly isolated within his own party.

The country has been increasingly moving toward adopting the sort of economic policies advocated by the IMF and the World Bank.

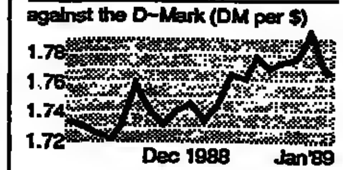
On Monday the secretary-general of Peru's ruling party, the American Popular Revolutionary Alliance, urged President Garcia to take a more "realistic" attitude to debt repayments.

Mr Luis Alva Castro said the Government must "adopt a more realistic and concrete position. The Peruvian Government has remained in the preaching phase, causing anger and frustration in the international organisation and banks," he said.

Sterling
against the D-Mark ($ per £)



Dollar
against the D-Mark (DM per $)



Sterling climbs against $, D-Mark

By Ralph Atkins in London and Janet Bush in New York

THE POUND climbed against both the dollar and the D-Mark on foreign exchanges yesterday, aided in part by comments on interest rates by Mr Nigel Lawson, the British Chancellor of the Exchequer, and to part by weakness in the US currency.

Sterling finished in London almost 1½ cents above its close before the new year holiday and at its highest level against the dollar since the middle of last month. It also closed 1 pfennig up against the D-Mark.

Dealers said the pound had been encouraged by the Chancellor's remarks to an interview with the Financial Times and on BBC Radio on Monday in which he reinforced his determination to use interest rates to control inflation.

In the US, the weak dollar combined with new evidence of strong growth in the US economy caused a sharp fall in US stocks and bonds. US Treasury bonds fell by a full point, taking the yield on the benchmark long bond again above 9 per cent.

On the Wall Street equity market, hopes of a new year rally similar to last year's surge were dashed as the Dow Jones Industrial Average was shown nearly 40 points lower during the morning. At the close, however, it had recovered from its worst losses to stand 23.93 lower at 2,144.64.

The dollar's fall followed advances towards the end of 1988. Its more recent weakness partly reflected profit-taking after increases fuelled by end-of-year corporate buying in thin trade after Christmas.

Analysts also reported uncertainty about the general outlook for the US economy and prospects for easing the country's large deficits.

West German trade, Page 2; Lex, Page 14; markets, Page 34

US envoy accuses non-aligned nations of spite, envy

By Lionel Barber in Washington

NON-ALIGNED countries were accused yesterday of "spite and envy" by General Vernon Walters, outgoing US ambassador to the United Nations. He said he had had more trouble in the world forum with the Non-Aligned Movement than with the Soviet Union or China.

Mr Walters said anti-American "name calling" at the UN had subsided during his three-year term as US ambassador but he added: "I am not an admirer of the Non-Aligned Movement because it isn't non-aligned. It is heavily aligned against the US and the freedom-loving nations like Western Europe, with an enormous tendency to blame us for the troubles they brought upon themselves."

Mr Walters, who praised Mr Mikhail Gorbachev, the Soviet leader, for contributing to a new spirit of superpower co-operation, said the improved relationship had made the UN "a better place for the US to do business." He described recent UN peacekeeping successes in Afghanistan, Angola and the Gulf as "unprecedented."

The positive assessment by Mr Walters, who first served under President Harry Truman, marked a shift from earlier hostile US views of the UN and followed Mr Gorbachev's recent call, in a speech last month to the General Assembly, for an important role for the world forum.

However, in an interview with the Associated Press released on his 72nd birthday, Mr Walters said he remained disappointed by the voting record of the 102-nation Non-Aligned Movement, dominated by developing and socialist nations.

Mr Walters said the non-aligned nations voted against the US 80 per cent of the time, often out of spite and envy. "A great deal of the non-aligned vote against us for the sheer pleasure of doing it," he said. "It has nothing to do with their own national policy or national interest."

Last year a US report noted that the Non-Alignment Movement voted with the US 12.9 per cent of the time on average. China's vote coincided with the US position 13.3 per cent of the time, and the Soviet Union's 10.2 per cent of the time. Cuba's coincided 5 per cent.

Mr Walters gave credit to Mr Gorbachev for changing the style and content of Soviet foreign policy.

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MARKETS

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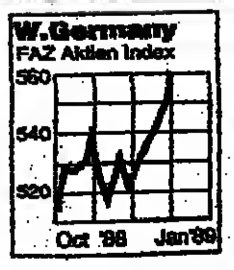
FAZ Aktien Index



INTEREST RATES
US lunchtime
Federal Funds 9⅛%
3-mth Treasury Bills: yield: 8.4%
Long Bond: 99 yield: 9.09%
London
3-month interbank: close 13⅛% (13⅛%)

STERLING
New York closing $1.8230 (1.8275)
London: $1.8250 (1.8275)
DM3.2175 (3.2075)
FFr10.9850 (10.9075)
SFr2.7300 (2.7175)
Y228.25 (228.00)

DOLLAR
New York closing DM1.7660 (1.7605)
FFr6.0355 (6.0155)
SFr1.50025 (1.4920)
Y129.875 (123.575)
London: DM1.7645 (1.7740)
FFr6.0250 (6.0575)
SFr1.4975 (1.5025)
Y123.60 (123.00)

GOLD
New York latest Comex Feb $413.4 (412.3)

STOCK INDICES
New York closing
Dow Jones Ind. Av. 2,144.64 (-23.93)
S&P Comp 275.56 (-2.36)
London:
FT-SE 100 1,782.8 (-10.3)
World: 139.84 (Fri)
Tokyo
Nikkei Ave Closed
Frankfurt
Commerzbank 1,858.1 (+10.9)

OIL
Brent 15-day (Argus) $16.45 (+0.20) (Jan)
West Tex Crude $17.325 (+0.05) (Feb)

CONTENTS

Bush and Congress begin the battle for the high ground

Sweetness and light dominated the first session of the 101st US Congress despite the inevitable battle which lies ahead as George Bush and the new Republican Administration face determined opposition from the Democrats Page 4

EUROPEAN NEWS

W German industries 'to spend more for efficiency'

By Andrew Fisher in Frankfurt

WEST GERMANY'S metal and electrical companies plan sharp rises in investments this year, but few new jobs are likely to be created as the emphasis will be on improving efficiency rather than increasing capacity, said Gesamtmetall, the employers' association for the industries.

Planned spending on new capacity was only half as much as the 1986 level in volume terms, while investment in rationalisation in 1989 was set to be double that of three years ago, said Mr Rudolf Geer, the association's economist.

Total investments by the two industries are estimated to rise by 8 per cent in 1989 on last year to DM41bn (£13bn), much of the modernisation anticipating the development of a single European market after 1992.

Gesamtmetall, representing employers of some 4m people, said only 20 per cent of companies would be spending mainly to enlarge capacity compared with 51 per cent three years ago. The main reasons for the change in attitude were the rapid trend towards shorter working hours in Germany and the high D-Mark. Companies were likely to spend on expansion only if profitability could be improved.

Most were investing to stay competitive in the face of shorter working hours and higher labour costs, said the association, which accounts for about half of German industry, including cars, engineering, and computers. Forecasting an average return on sales of 2.4 per cent after tax for the metal and electrical industries this year, it added that a level of between 3 and 4 per cent was necessary. In 1986, it was 2.7 per cent.

Companies themselves had indicated that Germany would remain attractive for investments in new capacity only if profit returns were much higher, Gesamtmetall said. The unsatisfactory profit levels and high taxes – German corporation tax is much higher than in most of the rest of Europe – were the main obstacles to the creation of new jobs.

In recent months, the mechanical engineering industry has reported a large order inflow, especially from export markets where German companies have also been able to raise prices. Leading engineering companies have reported sharply higher profits, notably MAN, Mannesmann, and Thyssen.

But MAN's chairman, Mr Klaus Götte, said the company's 1.3 per cent return on sales was too low, even though earnings rose by 24 per cent to DM202m in the 1987-88 financial year.

Bonn trade surplus for November near record

By David Goodhart in Bonn

WEST GERMANY recorded its *second-largest monthly trade* surplus of the year in November. Analysts expect the annual surplus to top DM125bn (£39bn) compared with a surplus of DM117.7bn in 1987.

The November surplus of DM13.1bn was second only to the June figure of DM14.2bn, and the total for January to November reached DM114.5bn compared with DM104.7bn in the same period for 1987.

German exports have been stimulated by a world-wide capital investment boom and the stability of the D-Mark within the European Monetary System. They are expected to rise again next year thanks in part to their relative immunity to price changes.

However the regional distribution of exports has shown a marked shift towards Europe and away from the US in the first 10 months of the year.

According to Bundesbank estimates exports to Western industrial countries rose by 6.9 per cent while imports rose by 5.9 per cent, but exports to the US fell 12.6 per cent and imports rose 12 per cent. The German trade surplus with the US over the 10-month period *remains DM12.2bn but is down* from DM19.9bn in 1987.

Over the same period the surplus with EC countries has risen from DM51.2bn in 1987 to DM66.9bn in 1988. Exports have risen 10.1 per cent and imports 4.2 per cent. Despite a 21.4 per cent rise in exports to *Japan over the first 10 months* of 1988 it remains the only major country with which Germany has a trade deficit.

The current account surplus, which includes invisibles, is also expected slightly to surpass last year's figure of DM80.8bn.

Trade wars between comrades

Leslie Colitt and Quentin Peel on export curbs within Comecon

WHEN capitalist countries wage trade wars, they restrict imports. On the other side of the looking-glass, in the communist world, trade battle is done by curbing exports.

The member states of Comecon, the Soviet-led trading bloc, are locked in an increasingly acrimonious internal dispute, sparked by the chronic shortage of consumer goods in their respective markets.

The latest to join the fray is Moscow itself: this week it followed Czechoslovakia, East Germany, and Poland in imposing restrictions on the goods that visitors may take out of the country.

Growing relaxation of travel restrictions between Comecon states has sparked a wave of cross-border shopping aimed at playing off the shortages suffered by one communist country against the availability of goods in another.

Poles have proved particularly adept at circumventing the Comecon trading system. Loaded down with goods such as silver jewellery, knitwear and suede coats, they have sold or traded their goods from Prague to Sofia.

Caravans of Polski Fiats headed as far as Istanbul where the occupants sold their wares for Turkish lira. They used the proceeds to buy consumer goods which they resold in Poland or traded for other goods.

In the first nine months of last year, Czechoslovakia attracted nearly 3.3m Poles, about 80 per cent of them day trippers. They flocked into Czechoslovak shops which were already poorly supplied with many consumer goods. At the same time, a growing number of Soviet visitors flush with Czechoslovak kornna descended on their tiny western neighbour.

They were permitted by the Soviet authorities to exchange up to 1,500 roubles per person into koruna which gave a family of four considerable purchasing power. Much like the Polish authorities, the Soviet Government had apparently decided that one way to alleviate shortages at home was to allow citizens to buy up whatever they could in other Comecon countries.

A large number of shoppers from East Germany (which itself banned Polish shoppers back in 1980) and Hungary added to Czechoslovakia's woes. Prague officials estimated that before they imposed restrictions in November, only one pair of imported shoes in four was being bought by Czechoslovaks.

When Prague imposed its ban on consumer exports on November 14, Soviet visitors suddenly faced confiscation of "everything from toothpaste, handkerchiefs and lollipops to shoes, chandeliers and fur coats", according to the weekly Moscow News.

Three days later East Germany imposed similar restrictions on socialist shoppers "to protect the interests of GDR citizens". They were mainly in retaliation against Czechoslovak tourists

Who was to blame for the raising of new barriers in the East at the same time as the European Community prepared to eliminate trade restrictions? One factor, Moscow News admitted, was that "socialist money can't buy goods in a capitalist market".

In other words, there is no advantage to a communist state in spending precious foreign exchange on consumer goods, only to sell them to fraternal fellow-communists for Comecon currencies which have no purchasing power in the West.

SOVIET oil production slumped by more than 100,000 barrels a day in the third quarter of this year, according to the Petroleum Economics publication Soviet Energy Developments, writes Steven Butler.

The third quarter production, estimated at 12.47m b/d, compares with 12.6m b/d in the second quarter, and represents the first year-on-year decline in three years. This would make it difficult for the Soviet Union to achieve its annual production target of nearly 12.6m b/d this year.

The publication says that causes of the fall in production are unclear. It cites reports of electricity shortages and shortfalls in oilfield equipment in Siberia as hindering production.

Hitches mar run-up to security pact signing

By Judy Dempsey in Vienna

DOUBTS over the draft final document for an East-West security accord could still cause hitches two weeks before foreign ministers are due to bring the marathon round of talks to a formal conclusion in Vienna.

On balance, however, West and East European diplomats are confident the Conference on Security and Co-operation in Europe (CSCE) will be concluded between January 17-19, paving the way for the start of negotiations on reducing conventional weapons in Europe.

Romania's President Nicolae Ceausescu said during a New Year's speech that his country would "not sign a document which wants to take mankind back to the situation of 500 years ago". He was apparently *referring to articles in the* CSCE's draft final document which stipulate wider religious freedoms.

At the same time Cyprus has been in favour of hosting a follow-up conference on the "peaceful settlement" of disputes in Nicosia, an idea which Turkey would oppose.

The timing of this meeting has been left open, largely due to pressure by the 12 Neutral and Non-Aligned (NNA) participants who yesterday presented the CSCE with a final draft document.

This spells out what fresh *commitments to human rights* the 35 signatory states of the 1975 Helsinki Final Act – comprising the US, Canada and all European states except Albania – should undertake.

Some diplomats of the North Atlantic Treaty Organisation, say the NNA document does not go far enough on *insisting* that compulsory currency exchanges practised by East Germany should end.

Nor, they say, does it contain suitable language on monitoring mechanisms, which would allow any of the CSCE countries to inspect at short notice human rights violations in others.

Another issue is the reference in the draft document to a follow-up conference on human rights in Moscow in October 1991. The US, Britain and Canada have not yet said they will support the idea.

The document sets February 21 for the start of Conventional Stability Talks (CST) which will bring together the 16 Nato and seven Warsaw Pact states. *First, however, both sides have* to agree on what parts of Turkey the negotiations should cover.

Pressure over low flying

By David Goodhart

PRESSURE is mounting within the West German centre-right coalition for a swift move to reduce the level of low-level training flights over the country. Low flying began in earnest again yesterday after a three-week pause following the Remscheid disaster when a US jet ploughed into a row of houses, killing six people.

However, the belief that Germans have to bear an unfair share of the irritation from Nato military manoeuvres has remained at the centre of public debate. Yesterday Mr Volker Ruebe, the foreign affairs spokesman of the CDU/CSU parliamentary group, and a leading defence adviser to Mr Helmut Kohl, the chancellor, said that over the next two years it should be possible to cut low-flying over Germany by half.

Mr Ruebe also said that he expected a preliminary decision to reduce the frequency of low-flying to come this month. Such a reduction may involve politically sensitive negotiations with other Nato countries, principally the US.

● Bonn continues to deny that there is any proof that German companies have helped Libya build a chemicals weapon plant. However yesterday the new Israeli Foreign Minister, Mr Mosche Arens, backed the claims made by the US Government and said he had clear proof which he would be releasing in Paris at the weekend.

'Soft landing' predicted after record European truck sales

By John Griffiths

TRUCK SALES in Western Europe will fall in 1989, but the market will still have a "soft landing" from the record level achieved in the past year, according to the latest forecasts from consultants DRI Europe.

Registrations of trucks weighing more than 6 tonnes in the 14 markets covered by DRI's report are forecast to fall by 6.9 per cent, to 263,000, from 282,000 last year. If lighter commercial vehicles, of 3.5 tonnes and above, are included, the fall will be of 6.8 per cent from 314,000 units to 293,000, according to DRI.

The report cites continuing low oil prices and the sustained strength of the major European economies as the two main reasons for the predicted downturn this year being relatively mild.

It forecasts an average economic growth rate for West Germany, France, the UK and Italy of 2.5 per cent this year and in 1990.

Because most of the European economies are already operating at high levels of capacity utilisation, much of the growth will come from companies investing in new plant and machinery, a key indicator for new truck demand, the report concludes.

This overall economic buoyancy is also the main reason the market for light vans up to 3.5 tonnes – one of the largest commercial vehicles sectors in Europe – is predicted to fall by only 3.3 per cent this year, to 1.34m units from 1.38m.

In sharp contrast to the commercial vehicle market recession which set in after the previous "boom" ending in 1979, DRI sees no further significant downturn after this year through to the end of its forecast period in 1993.

West Germany, despite its highly regulated transport industry, "may be able to defend itself through flexing its industrial, economic and political muscle" to maintain a strong transport sector – and thus truck demand – during the throes of EC integration, says DRI.

The UK would also remain a strong vehicles market as, alone among the major European countries, it had already undergone deregulation. The outlook was uncertain for France, Italy and Spain, where deregulation is under way.

Although DRI expects French, Italian and Spanish truck manufacturers to come under pressure in their own domestic markets, it expects an even smaller production downturn this year "consistent with the need to rebuild dealer stocks".

The European Trucks Forecast Report, DRI Europe, 30 Old Queen St, London SW1H 9HP; £1,750

Ireland's fiscal health 'best in 10 years'

By Kieran Cooke in Dublin

THE Republic of Ireland is in better financial health than at any time in the past 10 years, according to the Department of Finance in Dublin yesterday.

Returns for 1988 show the Exchequer Borrowing Requirement (EBR) last year was I£619m or 3.4 per cent of GNP. This compares with a budget borrowing estimate of I£1.45bn, or 8.2 per cent of GNP.

Tax receipts of about I£500m were responsible for much of the improvement, but a consumer spending rise and an increase in revenues from VAT and customs and excise contributed.

Mr Albert Reynolds, Minister of Finance, described the Exchequer returns as highly satisfactory and said they showed the Government's economic strategy was working.

The Irish Exchequer's borrowing requirement has more than halved in the past two years through a series of financial cuts in the public sector and improved revenue.

But the Government warns there will be no bonanza in a budget due on January 25. Further windfall tax revenues are unlikely this year.

Mr Reynolds said the level of borrowing was still too high and the Irish national debt, estimated now to be I£24.5bn, was taking away large resources urgently needed for economic development.

"The underlying borrowing position in 1988, together with the full-year impact of the various tax and expenditure measures adopted in the 1988 Budget, mean that the room for manoeuvre remains limited," the minister said.

Turkey accused of abuses

By Jim Bodgener in Ankara

AMNESTY International has accused the Turkish Government of doing little to improve its "appalling human rights record".

Ankara officials declined comment yesterday on the report by the human rights body, but were expected to issue a sharp rebuttal today.

The issue was expected to figure in questions to the Prime Minister, Mr Turgut Ozal, at a press conference this morning.

The 73-page report, "Turkey: Brutal and Systematic Abuse of Human Rights", speaks of brutal interrogation of political suspects.

Amnesty said 229 people were believed to have died in custody in the past seven-and-a-half years, and that there had been no explanation in 144 cases.

Appeals to the Government in November and December failed to prevent the recurrence of torture or bring any improvement of the harsh and arbitrary prison regime, Amnesty says.

Turkey ratified the European Convention for the Prevention of Torture in February 1988, and the UN Convention Against Torture in August 1988.

Despite this, the authorities had done little or nothing to implement the treaties, Amnesty alleges.

● Turkey will open its Ottoman archives to bona fide researchers, Foreign Minister Mr Mesut Yilmaz has pledged. The promise fuelled expectations that the issue of whether 1.5m Armenians suffered genocide during the Second World War could be settled.

Diplomats saw the pledge as a play to external human rights critics, in view of Turkey's EC application and the sympathy for the Armenian cause in the US Congress.

Researchers are likely to seek definitive proof as to whether Talat Bey, then Interior Minister, issued an explicit order in 1915 ordering the mass killing of Armenians.

Malta strike threat

MALTESE Premier Dr Eddie Fenech proposed a watchdog organisation, representing unions, importers and exporters, to keep prices in check, in an attempt to head off industrial action by trade unions, writes Godfrey Grima.

Italians regard slip in wealth league as politically inevitable

By John Wyles in Rome

SINCE many had refused to believe in "il sorpasso" in the first place, most Italians yesterday registered a grim satisfaction at the news that their country had once again slipped behind the UK to occupy sixth position in the league table of leading industrial nations.

Italians are preternaturally suspicious of good news from any official quarter, and evidence that the nation may be slipping is rather more in tune with a popular mood which is exhibiting some irritation towards politicians and their various doings.

The conclusion from Istat, the state statistical agency, that in certain respects the Italian economy is smaller than the British is a convenient stick with which to beat a government which is raising taxes and trying to clamp down on tax evasion.

Many Italians could not believe their ears two years ago when a number of politicians began trumpeting the claim that Italy had overtaken the UK to become the world's fifth industrial power. The thesis owed more to the pre-electoral braggodocio of the closing phase of Mr Bettino Craxi's period as Prime Minister than it did to hard statistics, but even if they did not believe the lyrics Italians rather enjoyed the tune.

"Il sorpasso" was not officially confirmed by any independent studies. In early 1987, the OECD reported that in 1986 Italy's real per capita gross domestic product, measured on a purchasing power parity basis which eliminates price differences between countries, was $9,900 against the UK's $11,400. Istat suggests that the gap was much smaller in 1986, giving a purchasing power parity reading for Italian GDP of 803.6 against the UK's 803.7.

Italy surpasses only, it seems, in the incomes received by the directly employed. The British struggle along on 20,546 units of purchasing power while the Italian lords it on 23,464.

This does translate into a higher consumption of material goods in Italy – motor car ownership, for example is higher – but Italians are increasingly aware that there are other aspects to the question of riches and quality of life. When comparing their public services and health care with provision north of the Alps, many know that the only sorpasso to be claimed is rather inglorious and that it is over the countries of north Africa.

Boost for Luxembourg's dream of maritime future

By Tim Dickson in Brussels

LANDLOCKED Luxembourg's plans to become a maritime state appear to be afloat.

In a move which boosts the Grand Duchy's ambition to establish itself as the European Community's unofficial "flag", Belgian shipowners have signed a deal with their government paving the way for the ultimate transfer of their 80-strong merchant fleet to their small neighbour's soon-to-be-created shipping registry.

The idea of "flagging out" in Luxembourg has long been contemplated as a means of reducing the operating costs of Belgian ships and reducing the spiralling level of government subsidies paid to the industry in recent years.

The key advantage, as it is with other "flags of convenience", such as Liberia and Panama, is significantly lower wage costs – the lighter tax and social security treatment is expected to save the Belgians BFr1.25bn (£21m). But under the proposed new arrangements with Luxembourg the ownership of the vessels will continue to be supervised under Belgian law.

From the owners' point of view there is the added security of dealing with a fellow EC member state, while the Belgian Government is insisting that Belgian crews be maintained and that the 1,800 sailors receive the same net remuneration which they enjoy at the moment.

It is expected that about 250 more sailors will be hired by Belgian shipowners over the next three years.

The relevant Luxembourg law is not likely to be approved by parliament until the spring.

Swedish companies condemn profits tax

By Robert Taylor and Sara Webb in Stockholm

THE SWEDISH Government's announcement on New Year's Eve that it was to levy a one-off 15 per cent tax on corporate profits made this year has aroused widespread condemnation in the business community, where it is believed the banking, construction and real estate sectors as well as the forestry industry will be especially hard hit.

The Stockholm market – which enjoyed one of the best performances in Europe during 1988 – rallied by 1.7 per cent yesterday to 1216.3 after a sharp fall of 4.5 per cent to 1196.4 on the Veckans Affarer index on Monday.

Turnover on the exchange is still low after the Christmas break and brokers said most investors were waiting until January 10 when Mr Kjell-Olof Feldt, the Finance Minister, presents his annual budget. As long as this contained no big, unpleasant surprises, they expected the index to reach its previous highs by the middle of the month.

The profits tax is regarded by financiers as a politically inspired move designed to placate the Government's left-wing which has been growing restive at Mr Feldt's brand of market socialism.

The top 20 Swedish companies increased their profits by an average of 15.3 per cent last year, compared with 9 per cent in 1987, according to figures prepared by PKbanken, the state-controlled bank. But it said it expected profits to increase by 14 per cent on average this year.

Mr Feldt also announced changes in the rules covering tax concessions on share losses so that investors who have held shares for less than two years would be able to write off only 40 per cent of the loss instead of 100 per cent as before. This change, which has caused less alarm, is part of his wider strategy of reforming the Swedish tax system by reducing the scope for tax planning and introducing more uniform regulations.

Iceland devalues

ICELAND devalued its currency by 4 per cent yesterday in a move designed to help its ailing fishing industry, which dominates the economy and is suffering from a slump in fish prices, writes Robert Taylor.

This is the fourth devaluation in less than a year. The Ministry of Finance in Iceland said it merely restored the foreign exchange value of the krona in relation to the US dollar to what it was at the time of the devaluation of 3 per cent last September. The rate is now IKr48.08 to the dollar.

It is being viewed as merely an adjustment measure.

Swiss profit on dollar reserves

By John Wicks in Zurich

SWITZERLAND'S central bank recorded exceptional book profits of almost SFr2bn on revaluation of its currency reserves because of the dollar's rise against the franc last year.

It carried out the valuation adjustment on the basis of an average dollar exchange rate last month of SFr1.4770, compared with SFr1.3290 for December 1987.

The profit of SFr1.97bn compared with write-offs of almost SFr3.53bn in 1987 and SFr2.14bn the previous year. It was credited to special provisions for foreign-exchange risks.

The bank's total foreign-currency holdings amounted to nearly SFr35.95bn at the end of the year, compared with SFr37.44bn on December 31 1987.

Gold reserves remained at SFr11.9bn and have been virtually unchanged since 1971, when they were accorded an official value of just over SFr4.595 per kilo.

Merger scheme looms over European chip market

Terry Dodsworth on the combined sales potential of the operations of Plessey, GEC and Siemens

A major new force will emerge in the European semiconductor market if the plan to merge the microelectronics businesses of Siemens of West Germany with those of the General Electric Company and Plessey of the UK is successful.

According to figures from Dataquest, the market research group, the combined European semiconductor sales of the three companies amounted last year to $810m. This put the proposed new group in second place to Philips, the Netherlands-based electronics company, which last year saw its European sales breach $1bn for the first time.

SGS Thomson, the Italian-French company formed in 1987, had the next largest turnover in Europe, at $650m, followed by Texas Instruments, the US-based group, with $636m.

The total market was up in dollar terms by almost 34 per cent, Dataquest said, with growth helped by a big jump in the price of memory chips, and by extremely strong demand from the computer sector. Translated into local European currencies, the rise was about 31 per cent.

Because Plessey is vigorously contesting the combined £1.7bn offer from Siemens and GEC, it is by no means certain as yet whether the proposed new semiconductor group will be formed. But if the deal is done, the main component would be Siemens' chip business, which last year achieved $571m worth of sales in Europe, placing it in fifth place in terms of market share.

Plessey's activities, boosted by its acquisition in Britain last year of Ferranti's semiconductor division, generated sales of $198m, and GEC's $41m.

Among the indigenous European producers, however, Dataquest says that SGS Thomson would remain the second largest worldwide producer in the event of a Siemens-GEC-Plessey merger. This is because the Italian-French company has significant sales overseas, giving it an overall turnover last year of almost $1.1bn.

The fourth place in the European league table was taken by Motorola, the US group, with sales of $616m, while Intel, based in California, was at sixth with turnover of $485m.

The most successful Japanese company was NEC, ranked eighth with sales of $370m. Japanese companies in general did particularly well last year because of the surge in prices of memory chips, their main area of production strength. The same factor was behind an enormous jump in the European turnover of Samsung, the South Korean group, which registered a 283 per cent increase to a total of $134m of sales.

Mr Jim Beveridge, a Dataquest semiconductor market analyst in London, says that a marked slow-down is expected in the growth rate of the chip market this year. Dataquest is forecasting a sales increase of only 6 per cent in dollar terms, he says, with weakened demand from the personal computer sector in particular.

Dataquest's worldwide figures show that Japanese companies captured 50 per cent of international semiconductor sales last year, establishing a strong lead over the US industry, which slipped from 39 per cent of the world market to 37 per cent. In 1987 the Japanese had 48.4 per cent of world sales.

European companies also suffered an erosion of their position from 11 per cent of worldwide sales to 10 per cent.

The Japanese were helped last year by the big price increases to memory semiconductors. This trend also helped Samsung, the South Korean company which is rapidly becoming the main challenger to Japanese domination of the memory chip business, and which saw its sales surge last year by almost 180 per cent to $905m.

The other big winner in terms of market share in 1988 was Intel, the Californian-based group, with sales of $2.4bn. Intel jumped three places in the world league to number seven because of the boom in sales of its new microprocessor. This chip, the 80386, forms the main processing element in many of the latest generation of desktop personal computers.

Otherwise, last year's figures confirm the domination of the Japanese semiconductor industry. Although this position has been helped to some extent over the last two years by the appreciation of the yen against the dollar – prices in the semiconductor industry are habitually denominated in dollars – three big Japanese groups have now established solid leadership in the world industry.

These are NEC, with $4.5bn worth of sales last year, Toshiba, with $4.3bn, and Hitachi, with $3.5bn. The leading US company is Motorola, placed at number four with sales of $3bn, followed by Texas Instruments with $2.7bn of semiconductor turnover.

The top European company last year was Philips-Signetics, the Netherlands-based group, which dropped three places to tenth in the world league table last year with sales of $1.8bn. Ten Japanese companies figured in the world's top 20 semiconductor groups last year.

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OVERSEAS NEWS

Falling reserves force Delhi to cut food imports

By K.K. Sharma in New Delhi

INDIA'S CRITICAL balance of payments situation has forced its Government to reject plans for import of an additional 2m tonnes of wheat. Since food stocks are almost half the 10m tonnes thought needed as a buffer, the country could face problems if the winter crop is not a bumper one.

The decision to halt wheat imports was taken by the Government after a review of foreign exchange reserves, which stand at around $3.5bn, or worth about three months of imports. This is considered dangerously low and steps are being taken to eliminate imports as far as possible.

Reserves have fallen mainly because of the growing trade gap: the current financial year is likely to end with a current account deficit of more than $5bn. The position has been aggravated by heavy payments for imported defence equipment, a fall in soft loans from India's traditional creditors and heavy imports of cooking oil and foodgrains following a disastrous drought in 1987.

The present liberalised import policy is under review but as yet there are no plans to curb imports of the machinery and technology needed to modernise obsolete industrial plant. But cuts in imports that can be dispensed with are being made and this is why the food ministry's proposal for additional wheat imports has been turned down.

India imported 2m tonnes of wheat last year to bolster falling food stocks which were expected to be replenished following good harvests after last year's bountiful monsoon. But despite the bumper crops, government agencies have failed to buy sufficient wheat and rice from farmers who are either holding back their grain in expectation of higher prices later or are selling to private traders who have offered them better prices.

Present food stocks are just about sufficient to meet the needs of the public distribution system – which requires just less than 2m tonnes a month – until March. The Government hopes that when the winter crop is harvested and brought to the market early in April, the food stocks will be replenished.

Indications are that the winter crop, particularly wheat from the northwestern states of Punjab, Haryana and Uttar Pradesh, will be a record one. Plans to increase production by provision of high-yielding varieties of seeds, fertilisers and other inputs have been helped by timely rains in the past week.

Year's violence leaves 1,500 dead in Punjab

By K.K. Sharma

LAST YEAR saw a record number of 1,567 killings in Punjab terrorism. The battle against it continues unabated in the troubled northwestern Indian state where extremists seeking a separate Sikh homeland have been active for more than six years.

Figures released yesterday by the Punjab Government are for the three districts of Amritsar, Gurdaspur and Ferozepur where the extremists concentrated their terrorist activities last year. Among the dead were 1,210 innocent Hindus and Sikhs killed in indiscriminate attacks by the extremists, 74 policemen and 283 "hard-core" terrorists.

The large number of terrorists killed and the continuing activities by extremist groups suggest that these have not entirely lost their appeal to Sikhs, although the authorities in Punjab claim that heavy losses have been inflicted on many of the main terrorist organisations against which operations have been launched.

That the terrorists are well armed is indicated by the seizure of large quantities of such weapons as machine guns, rifles and AK-47 assult rifles during the police operations.

Terrorist activity in Punjab spurted towards the end of last year. This has forced the state government to postpone elections to village committees of elders known as *panchayats* planned for early this year as part of moves to restore democratic processes in Punjab.

Saudi Arabia to finance deficit with bond issues

By Finn Barre in Riyadh

SAUDI ARABIA has for the second year running resorted to borrowing by means of bond issues to finance its budget deficit.

Spending is virtually unchanged at SR141bn ($38bn). Revenue, however, is expected to rise to Riyals 116bn – despite lower oil revenue estimates – and some observers doubt that this year's deficit figure of SR25bn is realistic unless the Government decides later to cut subsidies or impose new taxes.

Last year Saudi Arabia tried to introduce taxes on 3m expatriate workers but the order was rescinded in the face of protests.

Officially, the Government ran a SR35.9bn deficit in 1988, against a prediction of SR38bn. Of this SR30bn was to come from bonds and 8bn from a drawdown of reserves. This year, according to King Fahd, there will be no drawdown and all the deficit funding will be through bond issues. Reserves have fallen substantially from a peak in the early 1980s of $190bn, with estimates of their current level ranging from below $40bn up to $80bn.

Last year's bond issues were not a great success, with the banks at first reluctant to buy. But it is thought that any unsold bonds can be soaked up by the Civil Service Pension Fund or the General Organisation for Social Insurance.

The new Saudi budget provides 34 per cent of spending for development projects and defence. Last year the Government allocated 36 per cent for defence alone, and the reduced military spending apparently reflects the more confident mood in Riyadh after the ceasefire in the Iran-Iraq war.

According to figures released by the Finance Ministry, Saudi Arabian gross domestic product grew by a real 3.2 per cent in 1988.

Syria reverses decline with oil and economic reform

Victor Mallet reports on how Damascus is coping with an inefficient Ottoman bureaucracy

HOW DO you revive the economy of a country which spends more than half the budget on defence, which is hamstrung by bureaucratic regulations dating back to the days of the Ottoman Empire and crippled by the inefficiency of state-controlled industries?

How do you cope with a country where a complex five-tier exchange rate system for an overvalued currency invites abuse; where the economic plan for 1986-1990 is still a secret; and where the wheels of the economy are lubricated by institutionalised corruption and by smuggled imports (from Lebanon) of everything from Camembert to insecticides?

There are two obvious answers: introduce economic reforms, or find oil.

Syria is doing both, but the exploitation of oil has so far taken precedence over reform. The Baath socialist government has a lingering ideological aversion to free enterprise and Mr Hafez al-Assad, the President, has always been more interested in politics than economics.

Since the early 1980s, the Syrian economy has been in decline. There is e desperate shortage of foreign exchange for imports and debt repayments. Skilled Syrian entrepreneurs have gone abroad to find their fortunes.

But now, according to Dr Mohammed al-Imadi, the reformist Economy Minister, Syria is recovering fast and may have recorded growth of 7 or 8 per cent in 1988.

"Certainly there is growth," he says. "It's obvious in the oil sector, in electricity and in the private sector. It's obvious in agriculture."

He is delighted with the latest figures which show falling imports and rising exports in 1988. In the first nine months of 1988 the official trade deficit – excluding smuggling – fell to 841m Syrian pounds (theoretically equivalent to $75m), less than a fifth of the deficit in the same period the previous year.

"This to me is a proof of the success of the new policies," says Dr al-Imadi. Western diplomats, however, are sceptical about the value of government statistics and think it is more a matter of luck.

Good rainfall has cut the import bill for wheat and filled the dams for irrigation and generation of hydroelectric power. New discoveries have made Syria more than self-sufficient in crude oil. By the end of 1989 Syria may be earning $500m from its oil exports.

With inflation running at anything up to 100 per cent, however, ordinary Syrians are still suffering. They are hardly ready for a severe dose of austerity, and the privileged members of the Government and the army are unenthusiastic about the *glasnost* and *perestroika* being pursued by their traditional ally, the Soviet Union.

Dr al-Imadi and his fellow technocrats have nevertheless succeeded in pushing through some important economic reforms and preparing others:

● The private sector is being encouraged, albeit timidly. Private businesses can use up to 75 per cent of their export earnings for imports, and can bring in any foreign exchange legitimately held abroad. The scope of public sector monopolies, including banking, oil and cement, has been clearly defined, officially allowing private businesses a free rein in other areas. Public sector industries have been urged to improve their performances. "We have to unleash the private sector and let it work," says Dr al-Imadi.

● Joint ventures between the Government and the private sector (including Arab investors from the Gulf) have existed in the tourism business for 10 years. The principle, regarded as a compromise between socialism and capitalism, has now been applied to agriculture. Legislation on tax incentives and the right to transfer earnings abroad has been prepared to encourage Syrian expatriates to invest their money in Syria. Duty free industrial zones have been restored.

● Agriculture is being liberalised. Producer prices have been increased to stimulate output and the private sector is allowed e greater role in internal marketing and exports, although the state remains the only buyer of wheat, barley and chickpeas. "We should abolish this too," says Dr al-Imadi.

● Financial discipline is being introduced cautiously. Fuel prices have been raised, but bread is still heavily subsidised. Some imports, including many electrical goods, have been banned but find their way into the country on the black market.

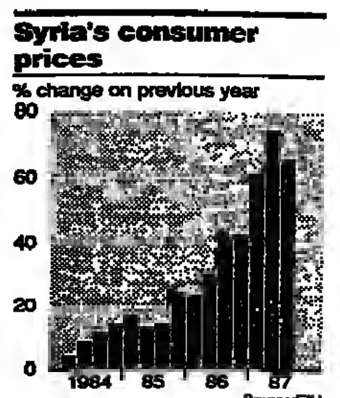
Businessmen and some senior members of the Government agree that the economy must be liberalised further, that ancient bureaucratic legislation must be swept aside, and above all that the multiple official rates for the Syrian pound should be unified.

Saudi Arabia has been supporting Syria to the tune of about $500m a year under a 1978 agreement which committed the Gulf oil producers to supporting the Arab states facing Israel. The accord expired at the end of 1988. But it is by no means certain that Syria wants to grasp the nettle of economic reform with e firm hand, despite severe problems with arrears on commercial payments, and a heavy debt burden of about $20bn (three quarters of it military debt to the Soviet Union).

Saudi Arabia may continue to grant money to Syria, while a severe austerity programme or a devaluation of the Syrian pound to its black market level of about 50 Syrian pounds to the dollar would probably boost inflation and provoke the anger of civil servants and other wage earners.

Increasing Syrian oil revenue may thus provide the Government with an ideal parachute which allows it to escape the necessity for reform.

"We've been a little bit late on updating our economic structures," says Mr Saeb Nahas, a leading Syrian businessman. "I feel that the government is not willing to make a Syrian *perestroika* in one day."



Shia leaders try to halt fighting

By Jim Muir in Nicosia

SHIA LEADERS in Lebanon were yesterday looking to both Syria and Iran to help stop battles between feuding Shia militias which are tearing their community apart.

Syrian troops tried once again to restore the shattered truce which they had earlier sponsored in Beirut's southern suburbs. But the situation remained tense, with sniping and outbreaks of heavier fire flaring for much of the day, and fighting resumed in earnest shortly before nightfall.

The rival Shia factions, Hizbollah and Amal, were also reported to be continuing their battles in the Iklim al-Tuffah, the hilly region in central south Lebanon where Hizbollah's Iranian-backed radicals retained a number of strongholds when they were driven out of most of the rest of the south by the mainstream Amal last spring.

The most senior Shia cleric, Sheikh Muhammad Mehdi Shamseddine, a moderate, returned last week from a 20-day visit to Tehran in search of Iranian intervention to heal the inter-Shia rift in Lebanon. He was granted a rare meeting with Ayatollah Khomeini.

Hizbollah has accused Amal of trying to eradicate the Iranian-inspired radicals from their last positions in the south, in order to prove that Amal could assure Israel's border security.

Reuter adds from Moscow: A Soviet envoy from Ayatollah Khomeini arrived in Moscow yesterday, apparently carrying e message for President Mikhail Gorbachev.

Arens rejects EC initiative

By Eric Silver in Jerusalem

MR MOSHE ARENS, Israel's new Foreign Minister, yesterday reprimanded Sir Geoffrey Howe and other European Community leaders for launching e Middle East peace initiative without consulting Jerusalem.

In answer to the Foreign Secretary's suggestion during his Gulf tour that it was now up to Israel to respond to the Palestine Liberation Organisation's recognition of the Jewish state, Mr Arens retorted: "There is nothing to respond to." He insisted that the PLO had a 25-year record of terrorism and leadership in international terrorism, and that Mr Yassir Arafat bore direct responsibility as its leader.

"When dealing with terrorist organisations what counts is not what they say, but what they do," he told foreign correspondents. "Based on that criterion, the PLO is a terrorist organisation."

Arens: better to consult

The Foreign Minister rejected the latest European initiative without waiting for a planned visit here later this month by his French and Spanish counterparts.

"It would be hetter," he argued, "if prior to undertaking any kind of initiatives the members of the European Community were to meet with us, were to consult with us, were to co-ordinate with us.

"After all, we and the members of the European Community share common ideals, common values, common interests. There really is no reason why we should not be working in concert."

In a review of the coming year, however, the Foreign Minister was eager to strengthen Israel's trading relations with the EC.

Howe urges Israeli reply to PLO

By Victor Mallet

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday called on Israel to respond to the recent diplomatic overtures of the Palestine Liberation Organisation.

Speaking in Kuwait, at the end of the first leg of a 10-day tour of the Gulf, Sir Geoffrey said Britain believed in the right of Israel to a secure existence and in the right of the Palestinians to self-determination.

"We will certainly go on urging that message on the Prime Minister of Israel, Mr Shamir," he said. "We will certainly be looking to every opportunity to encourage the Palestinian leadership to maintain their commitment to moderation.

Howe: first leg

"We have welcomed the recent statements by the Palestinian leadership ... we must all now look to the new Government of Israel to make a matching response."

The PLO recently won the right to negotiate with the US after Mr Yassir Arafat, the PLO leader, accepted Israel's right to exist and renounced terrorism.

Sir Geoffrey, who is to visit Saudi Arabia, the United Arab Emirates, Oman, North Yemen and Djibouti, is expected to urge the Gulf states to encourage the PLO to maintain its moderate stance in the face of Israeli intransigence.

He will also be promoting British arms sales in the Gulf and is due to visit the three-ship Armilla patrol of the Royal Navy.

Africans 'tortured' in China

CHINA faced spreading racial conflict and accusations of police torture of Africans yesterday, undermining its image as an ally of the Third World, Reuter reports from Peking.

In Peking, Chinese students marched in protest against alleged molesting of Chinese women by Africans, while sources in the central city of Wuhan said black students had been moved from e polytechnic there because of racial tension. African diplomats were due to meet Chinese officials to discuss charges that police beat and gave electric shocks to African students in the eastern city of Nanking on Saturday.

In Hangzhou, also in east China, about 50 black students continued a classroom strike. They allege college officials have tried to warn away their Chinese friends by saying they might have the disease AIDS.

China provides scholarships for most of the 1,500 African students at its colleges as part of efforts to project an image as a champion of the Third World. But African students say they meet frequent racial abuse and discrimination, the commonest cause of which are friendships between African men and Chinese women.

China's Foreign Ministry five days ago described fighting and anti-black protests in Nanking as "an isolated incident" and not a sign of racism or anti-African sentiment.

To add to Peking's embarrassment, Libya's embassy in Ethiopia said yesterday that China oppressed African students and it offered all 1,500 of them full scholarships in Libya.

Hassan to talk with Polisario delegation

By Andrew Gowers, Middle East Editor

THE LEADERS of Morocco and the Polisario Front were due last night to take another big step towards ending their 13-year war over the Western Sahara in an unprecedented official meeting between King Hassan of Morocco and a senior Polisario delegation.

At the royal palace in Marrakesh, the top triumvirate of the self-styled Saharan Arab Democratic Republic (SADR) was expected to meet the Moroccan monarch for what King Hassan has termed "discussions" rather than negotiations, covering the implementation of a United Nations peace plan for the disputed territory.

Members of the Polisario delegation left Algiers for Morocco yesterday.

Although there have been several lower-level private meetings between the two sides over the last year, this was to be their first public contact.

It follows an unexpected offer of direct talks by King Hassan in December, which was accepted with alacrity by the Polisario guerrillas, who have been fighting Morocco for independence of the former Spanish colony.

Ever since the outbreak in February 1976 of what has become one of the longest-running contemporary wars, the Moroccan regime had refused to negotiate with what it termed a gronp of "mercenaries".

Both sides accepted UN proposals for a ceasefire and referendum on the Western Sahara's future political status in principle last Angust, but efforts to put it into practice had run into tronble over the Polisario's continuing demand for direct talks.

The decision of the Polisario'a political and military chiefs – Mr Mahfond Ali Beiba, Mr Bachir Mustapha Sayed and Mr Bachir Ghali, Prime Minister, Foreign Minister and Defence Minister respectively of the SADR – to meet King Hassan raises the real prospect of a formal ceasefire within a matter of months.

Polisario, which has been under pressure from its patron Algeria to reach an accommodation, declared a unilateral truce at the end of December, and the King declared at the time: "If things go normally, it (the conflict) will be terminated between now and the beginning of summer."

The talks scheduled for last night were expected to focus on the detailed arrangements for a ceasefire and referendum, including the exchange of prisoners of war and the possible reduction and redeployment of Morocco's military presence in the Western Sahara while voting takes place.

It remains unclear what precise question the nomadic Saharawis will be asked in an eventual referendum on the future of the territory.

King Hassan maintains that the territory is an integral part of Morocco whose sovereignty is non-negotiable, while the Polisario's demand is for an independent state.

But the monarch, working from a position of considerable political strength, has indicated that he might offer the Saharawis a measure of autonomy under the Moroccan flag.

The Polisario guerrillas have had three rounds of indirect talks chaired by Mr Javier Perez de Cuellar, the UN Secretary General, in New York and Geneva.

Afghan resistance groups plan to convene nominated assembly

By Christina Lamb in Peshawar

THE AFGHAN resistance plans to convene a grand assembly to decide on the country's future, and has announced its agenda for the second round of peace talks with the Soviet side due to take place in Islamabad later this week.

Prof Sibghatullah Mojadiddi, who has just taken over from Burhanuddin Rabbani as chairman of the seven-party Pakistan-based resistance alliance, said that they would demand complete withdrawal of Soviet troops from Afghanistan, removal of tbe Communist PDPA regime, and the right of self-determination for the Afghan people. He also disclosed that representatives of the Iran-based eight-party alliance of Shia Mujahideen – who are currently meeting Mr Yuli Vorontsov, the chief Soviet negotiator, in Tehran – have been invited to join in the Islamabad talks.

After a tense two-day meeting, the alliance leaders agreed to delay attempts at holding elections and instead convene a nominated *shura* (assembly) of 400-600 Afghans. The assembly, which will be held in Peshawar in the next three weeks, was described by Prof Mojadiddi as a mini *loya jirga* (traditional tribal assembly), something that the hardliners in the alliance had previously strongly objected to.

As recently as Sunday, Gulbuddin Hekmatyar, leader of Hezbi Islami, said his party would not participate in an unelected government. However, pressure from Pakistan that the resistance must have something to offer the Soviet side seems to have prevailed.

The assembly will comprise 60 to 70 nominees from each of the seven parties, inclnding religious scholars, tribal elders, and intelligentsia, while around half will be Mujahideen commanders.

How the Very Fast Train captured Australia's imagination

Plans to cut the Sydney to Melbourne rail trip from 13 to three hours have aroused controversy, **Chris Sherwell** reports

WITH A rapidity that reflects its meaning, a new acronym is entering the Australian lexicon. The VFT – for Very Fast Train – is quickly capturing the popular imagination. Predictably in a country of sceptics, the idea is arousing criticism too.

The plan is to build a three-hour high-speed rail link betweeu Sydney and Melbourne via Canberra. It would embrace Australia's three most important financial, commercial and government centres with a dedicated service capable of competing against all other forms of transport.

Currently the 550-mile road trip from Sydney to Melbourne takes 12 hours by express coach and 13 hy train. Commercial aircraft take only 70 minutes, but the fare, at A$181 (£86) one-way (economy class), remains beyond most people's reach. At A$38-45, the coach is the cheapest. Rail costs A$71, and A$137 for a sleeper.

The VFT, running at 350km (166 miles) an hour, aims to beat road and conventional rail on time, and the airlines on cost. Not only will it offer convenience, comfort and speed. It will bring the three often-estranged cities closer together, to their mutual benefit.

The project is the brainchild of Dr Paul Wild, a former head of CSIRO, the national scientific research body. But it gathered momentum only after the Federal Government rejected the idea. Up stepped the unlikely figure of Sir Peter Abeles, head of the freight company TNT and half-owner with Mr Rnpert Murdoch's News group of Ansett, the domestic airline.

Instead of killing the VFT off as potential competition, he saw it as the harbinger of something bigger. Echoing the 19th century view of such schemes, he says it should really be called a "redevelopment project for the east coast".

Joining the consortium behind the ambitious plan are two more of Australia's most powerful corporations – BHP and Elders IXL – and the well-connected Japanese construction group, Knmagai Gumi. At A$4bn in 1986 prices, the VFT ranks as the country's largest private sector development outside the resources area.

Last August the four partners decided to go ahead with a A$19m two-year feasibility study after receiving positive results from a pre-feasibility analysis begun in 1986. The analysis foresaw the VFT picking np 7m, or around half, of the one-way Sydney to Melbourne trips likely to be undertaken each year by the mid-1990s.

The consortium envisages about 40 trains a day, each consisting of six carriages with a locomotive at each end, running along a twin track and driven by overhead electric power lines. About a third of the trains would be straight-through expresses. Another third would stop once or twice. The remainder would be stopping trains linked to the expresses.

Being conventional, the trains can attain the necessary speed only if the track is purpose-huilt to give the best possihle alignment. The curves would be no less than 7km in radius, for example. and the gradients would be gentle.

Even then it is not yet conclusively proven that the target speed of 350km an hour – needed to meet the three-hour target set hy the consortium to compete with the airlines – could be reliably and continuously achieved.

Japan's now-ageing Bullet Train travels at up to 240km an hour, while France's Paris-Lyons TGV has run at 270km an hour. The VFT consortium says the TGV has managed test runs at 370km an hour, while West Germany's ICE experimental train has achieved 406km per hour. Mr Alan Castleman, chief executive of the VFT Joint Venture and a BHP man, says "350 will be attainable, hut at a stretch".

For the project to go ahead, co-operation is needed from Australia's Federal Government, the state governments of New South Wales and Victoria and the newly-created local government in Canberra.

Their permission is needed to construct the link over the best ronte possible, particularly through cities and towns. The venture will also need legislation to allow the acquisition, compulsorily if necessary, of e strip of land some 900km long and 50 to 100 metres wide – the equivalent, Mr Castleman points out, of a large Australian farm.

Real estate prices ontside Sydney's bursting boundaries have already begun soaring in anticipation of the VFT's dramatic impact on commnting patterns. Bnt complaints are also surfacing.

One worry is that the railway, being fenced, will be a physical barrier to divide the country and imposes an obstacle to the free movement of wildlife, livestock and people.

Mr Castieman says the relocation of farms and dams will be part of the construction process, and that the line will be huilt with underpasses, overpasses and pathways. "It is vehicles on motorways which kill wildlife," he says. "We won't."

A second concern is technical. It is argued that such e project should use the magnetic levitation (maglev) technology heing developed in Japan and West Germany to avoid being obsolete soon after it is built. The consortium says this won't be proven before the next century and will be more than twice as expensive. In any case the line itself will be convertible if and when the technology is ready.

Then there are economic worries. Some say it should be possible to use existing lines and local state rail anthorities to create a service which, while less speedy, is cheaper and still attracts passengers from alternative forms of transport.

The rail authorities' record of gross inefficiency, strikes, delays and massive financial losses militates against this. The economics of the VFT, moreover, will undonhtedly improve if, as expected, it picks up some of the hooming express freight husiness or offers special holiday packages.

As for financing, the consortium is not seeking government support or guarantess. It expects to borrow most of the money needed, and about half of this will go on building the track, with the bulk spent in the cities. Once the lines are operating, debt servicing will be the main item of expenditure.

For the consortium, there is no qnastion of the project being put out to tender, since it is a private venture. As for the likely fare, it says deregulation of the domestic airlines in 1990 makes forecasting impossible. The marketing study assumed a one-way fare of A$105, but the partners promise only that it wil be competitive.

The outstanding question is whether Australia can manage a project of this size. Its expertise in rail technology, especially heavy haul transport, is second to none. But can the governments refrain from interfering? Will the trade unions accept no-strike agreements? Will environmental groups put insuperable obstacles in the way?

With a target completion date of 1995, the answers to such questions will need to be known by the time the hig decision to go ahead is made next year.

AMERICAN NEWS

Congress sweetness and light belie battles ahead

By Lionel Barber in Washington

THE 101st US Congress opened yesterday in an atmosphere of sweetness and light which belies the legislative battles ahead between the Democratic majority and the incoming Republican administration headed by Mr George Bush.

Both parties have adopted a co-operative tone in an effort to claim the high ground on several divisive issues, most notably the need to reduce the $150bn budget deficit.

The Democrats, bruised by a heavy defeat in the presidential election last November, are looking to new leadership in the US Senate to invigorate their party and set out an alternative agenda on the environment, health and ethics.

The Republicans, reduced to a minority in the House of Representatives and the Senate, are looking to the Bush Administration to give a lead. Some observers expect the Bush team to display a less confrontational, more subtle legislative approach than President Ronald Reagan.

The first clues will emerge on the budget, and the need for the President and Congress to agree on cutting at least $25bn from the Federal deficit by October 1 under the Gramm-Rudman-Hollings budget balancing law.

President Reagan sends his final budget to Capitol Hill on January 9, and Mr Bush will submit his own ideas after taking office on January 20. However, Mr Bush's room for manoeuvre is limited because of his "read-my-lips" election pledge not to raise taxes.

Democrats have read Mr Bush's lips and have decided not to make the first move. As Congressman Tony Coehlo of California, the House majority whip, said: "None of us would like to increase taxes. . . but if he (Bush) can't reach the magic number, we hope that he would say so and we would go ahead and do it".

Congressman Richard Cheney of Wyoming, the newly installed Republican minority whip, made clear that his party would hold the line against tax increases until a budget summit between Congress and the administration later this year.

Yesterday, new and re-elected members of the House and Senate were sworn in, among them Senator George Mitchell of Maine, the Senate majority leader succeeding Senator Robert Byrd of West Virginia who moves to chair the Senate Appropriations committee.

Today Congress will hold a joint session to count the electoral votes for President, a rubber-stamping of Mr Bush's claim to the presidency. Congress will then adjourn until January 20, the day of the Mr Bush's inauguration.

Among the early issues facing Congress are a proposed 50 per cent pay increase for members which Mr Reagan is expected to propose in his budget, raising Congressional pay from $89,500 to $135,000 a year; a bail-out of the troubled savings and loan industry which could cost up to $100bn over an extended period, and a clean-up and modernisation of the nation's nuclear weapons plants.

UN powers urged over chemical weapons

By Lionel Barber in Washington

THE US stepped up its campaign against chemical weapons yesterday with a proposal to give the United Nations Secretary General wide powers to investigate allegations of their use anywhere in the world.

Mr George Shultz, US Secretary of State, is expected formally to unveil the proposal at a conference of more than 100 countries in Paris from January 7 to 11. The meeting is aimed at bolstering the 1925 Geneva Protocol which bans the use of chemical weapons, but which is generally judged ineffective.

Washington's recent moral campaign against chemical weapons appears in part driven by President-elect George Bush, who has pledged to make the proliferation of such armaments a top priority when he takes office this month.

As Vice President, Mr Bush submitted a US draft for a new treaty that would impose a world-wide ban on the production, stockpiling and transfer of chemical weapons. US officials acknowledge that the treaty, currently being negotiated in Geneva, would pose significant verification problems.

The latest US proposal, reported in the New York Times yesterday, comes just after the administration accused a West German company of playing a central role in the design and building of a chemical weapons plant in Libya. The Bonn government is investigating five German companies, but says it has yet to substantiate the charges.

US officials said they hoped to raise the political costs of countries using chemical weapons, and to give impetus to the Geneva treaty. The Paris conference may also consider ways of imposing trade embargoes against countries which use such weapons.

The idea of giving the Secretary General wider powers to investigate the use of chemical weapons stems from events last September when the US accused Iraq of using poison gas against Kurdish insurgents. Iraq blocked a UN team sent to investigate the area.

Good debtors tire of credit terms

Colombia and Venezuela are disillusioned, writes Norma Cohen

Latin America's most creditworthy borrowers appear to be increasingly disillusioned with their strategy of maintaining access to the voluntary credit markets at the expense of painful domestic economic adjustment.

Despite timely repayments of interest and principal by Venezuela and Colombia, the ability to wrest either additional funding or concessionary borrowing terms out of commercial banks seems further away than ever for both borrowers.

Within the past few days, both nations – virtually alone among Latin America in repaying principal – have announced plans to halt some of those repayments.

Mr Jaime Lusinchi, Venezuela's president, said over the weekend that the country would halt some principal payments due to its creditor banks in 1989. Venezuela is seeking to renegotiate the terms on its approximately $25bn in public sector foreign debt.

Colombia, meanwhile, announced it would delay principal payments due during the first quarter of 1989 as part of a $1.7bn loan agreement just concluded with its consultative committee of bank creditors. Colombia, along with Paraguay, is the only Latin American country not to have rescheduled its debts since the Third World debt crisis broke in 1982.

Bankers caution that despite the somewhat alarming tone of the announcements, the moves are likely to be much less drastic than they appear. Venezuela, for instance, has exempted a wide variety of loans covering virtually all the country's debts contracted for since 1983.

Economists at Libra Bank estimate that out of Venezuela's approximately $2.6bn in principal repayments due this year, only about $703m is actually affected.

Similarly, Colombia has agreed to continue all debt service on its loans and to catch up with principal repayments by March 31, 1989.

Bankers also warn that the two countries face different sets of economic and political pressures and have different options available to them. Still, the announcements and the attendant publicity are likely to refocus attention on the current approach to coping with the world's debt crisis.

President Rodrigo Borja has approved a debt restructuring plan that will defer payments by Ecuador on more than $197m borrowed through the governments of Italy, Japan and Belgium, Reuter reports from Quito.

Principal and interest due through February will be refinanced through deferments between eight and 11 years at interest between 5.25 and 9.85 per cent. Debts include $132m owed to Italy through the Section of Export Credits Guarantees, $63m to Japan's Overseas Economic Co-operation Fund and the Ex-Im Bank of Japan, and $1.5m of commercial credits guaranteed by Belgium's Office National du Ducroire.

The World Bank, in its latest annual assessment of developing country growth, has urged a new approach to the debt crisis, in some large measure because commercial banks have not provided sufficient new lending to support growth.

The Baker Plan, which has provided the framework for sovereign debt negotiations since 1985, calls for debtor nations to adopt often painful growth-oriented policies. For their prudence and self-restraint, they would be rewarded with new loans.

This has failed to happen, even for those countries whose repayment record was as good as banks have demanded. According to World Bank data, new loans from banks to developing nation debtors total only about a quarter of interest payments flowing from the debtors to the banks. This net outflow of funds reached a record $31.1bn in 1988.

Colombia, for instance, was hard pressed to raise a $1bn loan agreed with its bank consultative committee in July 1987. It took six months for the loan to be agreed with the full group of banks. Even then, the largest banks had to contribute more than a proportionate share of new funds because so many lenders refused to participate in the loan.

Colombia – like many other Latin American debtors – was placed in the difficult position of making principal and interest repayments to banks which were then refusing to extend new funds. Even its latest loan falls short of the amount Colombia initially sought.

Those banks which balk at extending further loans, known as free riders, pose almost as serious a problem to the largest banks as they do to the debtor nations. The largest banks end up increasing their proportion of the new funds to compensate for the shortfall. Indeed, the actions of both Colombia and Venezuela appear aimed at cushioning any penalties that might accrue to those banks which have extended new loans since 1983.

But debtors which are repaying interest and principal on time have also not been rewarded with better terms from lenders. Ironically, both Colombia and Venezuela are paying slightly higher margins than their less creditworthy neighbours such as Brazil and Argentina.

For their part, bankers are unhappy with some aspects of Venezuela's economic policies and say that fresh funding should be made available to the country from other sources. For instance, the country has an allotment from the IMF of about SDR1.2bn ($1.6bn), which it could draw on if it adopted an IMF-approved economic programme.

Also, Venezuela has been criticised for maintaining an artificially high exchange rate of 14.5 bolivars to the dollar, a rate which encourages capital flight. Black market rates are 35-40 bolivars to the dollar.

Opposition ahead in Chile opinion poll

By Barbara Durr in Santiago

IN THE first major survey of Chilean public opinion ahead of this year's presidential election, 53 per cent said they would vote for an opposition candidate and 21 per cent said they would vote for a pro-Government candidate.

Two Christian Democrats led, followed by General Augusto Pinochet. Mr Eduardo Frei, son of the late president of the same name, and Mr Patricio Aylwin, currently president of the Christian Democratic Party, were favoured by 20.4 per cent and 11.3 per cent, respectively. Gen Pinochet was favoured by 5.5 per cent.

When Gen Pinochet, who cannot constitutionally run for the Presidency, was eliminated from the list, the percentages rose to 30 for Mr Frei and 14.1 for Mr Aylwin. Mr Sergio Jarpa, of the conservative National Renovation Party, followed with 8.3 per cent.

Brazil's new mayors try to sweep away old guard

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S new mayors have taken office this week with a flurry of dismissals of the previous administration's political appointees and other symbolic gestures of reform and renewal.

The victors in last November's municipal elections, which saw big gains for the left, have wasted no time in wielding their new brooms. But sceptics will demand more than a few days before judging the extent of the changes.

Not least, commentators are interested in seeing how thousands of deeply indebted *prefeituras* intend to carry out cuts while at the same time fulfilling commitments to improve social and other services.

However, left-wing mayors have not been afraid to wield the axe over jobs.

Mr Marcelo Alencar, Rio de Janeiro's new mayor and a member of the populist Democratic Workers' Party (PDT), has pledged to dismiss thousands of workers hired over the past two years.

In Belo Horizonte, Brazil's third city, 278 functionaries in the city legislature, including chauffeurs and coffee waiters, have lost their jobs, with the communist president of the chamber strongly supporting their dismissal.

A further 900 have gone in the north-eastern city of Salvador.

In Sao Paulo, Ms Luiza Erundina, a radical squatters' rights campaigner and member of the new Workers' Party (PT), was elected mayor. She threw out the luxurious leather chair which was hers by right of office.

All this is good for public relations at a time when the electorate is deeply disillusioned with the political class as a whole. With all eyes focused on presidential elections due next November, some measure of scepticism is, perhaps, still in order.

Doubts over Vancouver Expo 86 site deal

By Robert Gibbens in Montreal

BRITISH Columbia Premier William Vander Zalm, faced with rising public criticism, says the C$320m (£148m) deal under which his Government sold the Vancouver waterfront Expo 86 site could be renegotiated. The site was bought by Hong Kong businessman Mr Li Ka-shing last May.

Mr Vander Zalm admitted he had "growing concerns" about several clauses in the sale agreement, after reading the fine print. His former Minister of Economic Development was responsible for the negotiations with Li.

Two issues have emerged over which both Liberal and New Democratic opposition leaders are demanding a judicial inquiry.

Critics say British Columbia taxpayers will have to foot the bill of up to C$65m to clean up toxic wastes deposited by old industrial plants at the site, and for a new sea wall.

They claim a prime piece of the waterfront will be parcelled out to condominium developers at a high profit and the housing units will go first to Hong Kong immigrants. Li is committed to owning the site for a minimum three years.

Critics also want to know why Vancouver developer Mr Peter Toigo, formerly close to Mr Vander Zalm, failed in his bid for the Expo site and whether there were any secret conditions to the deal with Li through his Concord Pacific, a local company operated by his son, Victor Li.

Concord Pacific also owns a big condominium project nearby. Controversy surrounds this development because all 213 units were sold to Hong Kong buyers without any being offered to Canadians.

Hong Kong and other Asian money has been pouring into Vancouver and Toronto real estate over the past three or four years. Hong Kong reverts to Chinese control in 1997.

The inflows are pushing up land, home and office values in both cities, creating further controversy.

● Canadian police confirmed that a weekend fire that severely damaged the headquarters of Alliance Quebec, the English-language lobby group, was caused by arson. Damage totalled about C$250,000.

The incident is the worst in an outbreak of scattered vandalism in Montreal and Quebec City, following the Supreme Court of Canada's decision early in December allowing bilingual indoor French-English signs in stores.

WORLD TRADE NEWS

US-EC battle over hormones set to escalate

By Tim Dickson in Brussels

SIGNS that the transatlantic trade war over growth hormones may escalate emerged in Brussels and Paris yesterday.

The European Commission announced that Community ambassadors will hold a special meeting tomorrow to consider details of its planned counter-retaliation against the US ban on almost $100m (£55.5m)-worth of EC food products which came into effect on January 1.

The US ban was tit-for-tat against the EC's prohibition on imports of all hormone treated beef, including that from the US.

Later yesterday, Mr Jacques Delors, EC Commission president and a leading hawk on the issue, made clear the EC was in no mood to compromise.

Mr Delors said he was "a great friend of the Americans" but "in secondary issues, such as these commercial ones, each side must be firm".

Tomorrow's meeting was seen last night as an indication of Brussels' wish to force the pace. Community ambassadors were not to have held their first session of 1989 until next Thursday, with the EC's Foreign Ministers holding their first routine meeting on January 23 and 24.

A Commission spokesman said that at the EC Foreign Affairs council in Brussels before Christmas, member states agreed the principle of counter-retaliation. What now has to be decided is the timing, the products affected, and the value of US trade to be targeted.

A list of US products and their approximate trade value, including honey, walnuts, dried fruit and beet pulp, has been made. Value of the full list is more than $360m, but the Commission's proposal will probably be restricted to products nearer $100m.

US group leads bidding for Turkish jet deal

LORAL ELECTRONICS of the US has emerged as front-runner in the bidding for a contract valued at around $350m (£190m) to supply an electronic counter-measure system for F-16 jet fighters being locally manufactured in Turkey, Jim Bodgener reports from Ankara.

According to the Turkish Defence Ministry, Loral was selected for more detailed negotiations including financing ahead of Westinghouse Electric of the US and the UK's Marconi Defence Systems.

The three systems offered are respectively Rapport III, the airborne self-protection jammer (ASPJ), and the Zeus.

A total of 154 F-16s will be manufactured at the Murted airbase outside Ankara by 1994 under a $4bn deal contracted in 1983 with the US government for 160 jets on behalf of the aircraft's maker, General Dynamics.

The remainder were supplied direct from the US.

Developers in race to win Israel contract

TEL AVIV Municipality has honed a list of foreign and local developers competing for a $200m (£111m) urban redevelopment project, Laura Blumenfeld reports from Tel Aviv.

The five finalists are scrambling to draw up the winning design for the Shalom Centre in hopes of a contract to be awarded in 6-8 months' time.

The municipality says Westfield Holdings, a Sydney-based company, sees the Tel Aviv contract as a step towards entering the European market.

Among the other contenders are Lustig and Moar of Melbourne, and Mr John Portman, a top US developer. A consortium formed by Mr Shaul Eisenberg, a Far East-based millionaire, includes Heron International of the UK and Mr Morris Wohl, a developer of UK shopping centres.

Another major project to be put out to international bidders will redevelop Haifa's seashore. The project is valued at between $30m and $100m.

Uganda counts on barter to turn economy around

Julian Ozanne, in Kampala, examines the government's strategy for reviving the ravaged economy

THE WELL MANICURED lawns and flower beds, designer water fountains and neon "S" sign of the newly-refurbished Kampala Sheraton stand uneasily in contrast to the rest of Uganda's capital city struggling to reconstruct itself after 15 years of devastating misrule and civil war.

Outside the hotel's six foot iron-grated perimeter, roads with crater-like pot holes wind their way down to Kampala's high street. This itself is lined by grandiose banks with decayed interiors and burnt out abandoned buildings which show the bullet marks of a time when Kampala was compared to Beirut.

The Sheraton is the impressive result of the growing commitment by Uganda's National Resistance Movement government to barter trade as one means for an economy desperately short of foreign currency to buy essential goods and services for a massive programme of rehabilitation.

Two years ago the hotel was a decimated, disused shell. Then the government interested Yugoslavia in a $42.7m barter deal. In return for a 10 per cent down payment in hard cash and 3,000 tonnes of hides, 2,000 tonnes of soya beans, 10,000 tonnes of maize, 5,000 tonnes of coffee and 4,000 bales of cotton over four years a Yugoslavian company, Energo-Projekt, was contracted to renovate the hotel completely and build a road between Mityana and Fort Portal.

Barter has been a feature of Uganda's economy since the early 1980s, averaging about $8m annually since 1983. But in the first half of 1987-88 more than $30m of goods and services were exchanged through barter.

Faced with a shortage of foreign exchange, particularly after servicing its external debt, and a 95 per cent dependence on coffee for export earnings, this upsurge in barter activity marks a conscious policy pursued by the NRM government. It is also ideologically grounded in the NRM's barter experience with peasants during several long years of bush warfare and backed strongly by President Yoweri Museveni.

Since 1986 a special division in the Ministry of Commerce has been created under a Deputy Minister for Barter Trade. And, according to Ministry officials, more than a dozen barter protocols spread over the next three years have been signed. The value of Uganda's conventional trade was $450m last year.

"Barter trade has allowed us to bring in many imports we need urgently for reconstruction but which we could not pay for in foreign exchange. It has also allowed us to open up new markets for our commodities, particularly non-traditional agricultural exports, and to by-pass middlemen," said Mr Professor Katongole, Permanent Secretary in the Ministry.

The first successfully completed barter arrangement of the NRM government was with Cuba. In return for 3,600 tonnes of coffee and 5,000 tonnes of beans Uganda received a desperately needed $15.4m shipment of 26,500 tonnes of sugar, drugs, hospital equipment, agricultural implements, car batteries, paper, tyres and tubes.

But the Ugandans have not been content with traditional barter deals exchanging commodities. They have sought to use barter trade as an instrument of infrastructural development, as in the case of the Yugoslavian deal.

Following the completion of the first Cuban protocol Uganda signed another deal with Havana worth $18m. A substantial part of the protocol is for Cuban technical expertise to establish a food canning factory and rehabilitate the Kinyala Sugar Mill and a tyre retreading plant.

Damage to Kampala after 1985 fighting. Barter trade is assisting the continuing repairs to the capital.

"We began to see that conventional trade had failed with certain rehabilitation projects like hotels, transport, roads and agro-industry. Many projects had been dragging on for several years without much achievement. So we decided to try barter trade to attract foreign expertise – like Cuban know-how in the sugar industry, to speed up reconstruction," said Mr Peter Elyetu, who heads the Ministry of Commmerce's barter department.

While most countertrade deals have been negotiated country to country, the majority with Eastern Bloc nations, Uganda has also developed protocols with multinational companies. Lonrho, for example, has signed a $7.6m deal to supply Massey Ferguson tractors for the rejuvenation of the cotton industry in return for 35,800 bales of cotton over the next four years. All the tractors have already been delivered to the Lint Marketing Board.

For Uganda this kind of arrangement means it can stimulate production sure in the knowledge that the crops are already sold. In return Lonrho gets a guaranteed source of supply. Similar deals are currently being thrashed out with Commissit (Italy), Mercantile (UK) and Herberts (UK).

Private Ugandan companies have also been encouraged to enter into barter trade. Sole Electrics, for example, which assembles electric kettles, refrigerators and home appliances and is completely dependent on imports, has bartered tea for drugs, agricultural implements for the tea sector and fertiliser. In return they get immediate access to foreign exchange and import licences to bring in their parts.

But there is concern among Western economists that Uganda may be paying a high premium above world market prices for the goods they receive in return for their commodities.

"In the absence of international competitive bidding prices can be distorted and there has been no analysis done of the relative value and quality of goods received by barter against conventional trade," said a European economist.

In their defence, the Ministry of Commerce says that all deals are based on international prices and checked out for quality before shipment by the Société Générale de Surveillance (SGS).

But it is extremely difficult to assess price distortion in the case of imports of items such as tractors, drugs, textiles and trucks and even more so when services like road construction and hotel rehabilitation are included.

According to a report conducted by United Nations Conference on Trade and Development Uganda may, in such cases, find itself at a disadvantage. "So far as the fairness of price is concerned, SGS only certifies that the pricea charged are the best available in the country concerned. SGS does not certify that the prices are internationally competitive," the report says.

Furthermore, a substantial part of Uganda's barter commitments have been made in traditional export crops, like coffee and cotton. There is concern that these goods could have been sold more favourably in the international market for foreign exchange, particularly as some coffee has been bartered to quota countries under the International Coffee Agreement.

While Uganda has made a determined effort to promote non-traditionals in barter protocols, particularly hides, skins, beans, maize and semi-processed leather there are doubts over the implementation capacity of the Produce Marketing Board.

According to one Western donor Uganda may have overstretched itself without paying adequate attention to the availability of produce supply and ultimately will have to settle agreements in coffee.

Problems of implementation are further compounded because imports are made by one set of parastatals and exports by another. Importing organisations secure profits on import sales but exporting organisation have the onerous task of procuring in the local market the committed export items and selling them at international prices. With the exception of coffee, agricultural commodities are presently over-priced, making it difficult to export without making substantial losses.

Many of Uganda's initial barter deals were negotiated hurriedly because of the shortage of essential goods. And in a country critically constrained by shortages of foreign currency and imports for growth barter will continue to play a key role.

But if the nation is to benefit from barter in the future the government will have to address key problems of prices and implementation. Many hopes are being pinned on the growing role of the private business community where it is hoped greater attention will be paid to costs and prices and the economics of import and export transactions.

World textile industry begins New Year with bleak outlook

THE WORLD textile industry begins the New Year against a bleak background of depressed output and high stocks, reflecting lacklustre demand for textiles in most of the major international markets, Alice Rawsthorn reports.

The latest data from the International Textile Manufacturers Federation in Zürich suggests that the world industry – except for South Korea and Taiwan – experienced difficult trading conditions in the third quarter of 1988.

In spinning, South Korea and Pakistan were the only countries to increase yarn production in the third quarter, compared with the same period in the previous year. All the other countries saw output fall.

Belgium suffered most, with a 19 per cent drop in yarn output. The UK, US, Switzerland and West Germany also sustained significant falls. Orders were poor in most countries and the level of stocks were, according to the ITMF, "extraordinarily high".

Similarly, in weaving, most countries experienced a decline in production. Switzerland fared worst, with a 24 per cent fall in the third quarter. Yet Italy, the US and the UK also suffered. The only countries to secure an increase in cloth output were South Korea, Japan and Taiwan.

The level of orders was low in most countries, auguring ill for the weaving industry's prospects in 1989. The increase in weaving stocks, however, was not as dramatic as in the spinning sector.

The world textile industry was destabilised last year because of the impact of the weak US dollar on trading patterns in Europe and the Far East.

The decline of the dollar – and of related Far Eastern currencies – had the dual effect of making it less profitable for Far Eastern producers to sell to their traditional customers in North America, and of making them more competitive in Europe.

Many Far Eastern industries faced a decline in demand from North America. As a result, shipments originally bound for the US were diverted to Europe, and the European industry was weakened by a surge of low-cost imports.

Oftel clears way for BT to run telepoint service

By Hugo Dixon

THE OFFICE of Telecommunications, the industry watchdog, has advised the Government to give British Telecom one of four licences to run a mass market mobile phone service, called telepoint. Telepoint, which has been pioneered in the UK, is due to be launched in the next few months.

Granting BT a telepoint licence would be politically controversial. Critics in industry and finance have argued that the company is already big enough in telecommunications and would stifle competition in the telepoint market if given a licence.

Oftel is understood to have been persuaded that these problems can be overcome. However, in view of the political sensitivity of the decision, the watchdog has also sent the Government an alternative recommendation which would involve denying BT a licence.

Oftel's advice is contained in a report submitted to the Department of Trade and Industry just before Christmas. Lord Young, the Trade and Industry Secretary, is expected to announce a final decision in the middle of this month.

There has been tremendous interest in providing telepoint services, with 11 consortia or companies applying for the four licences on offer. Applicants see telepoint taking off even more rapidly than have cellular or car phones – one of the spectacular success stories of British industry this decade.

Lord Young: decision soon

Telepoint will not be as versatile as cellular communications – people will have to be within 200 yards (183 metres) of a special radio station to make a call and they will initially be able to make only outgoing calls. However, the cost of using telepoint is likely to be around £300 a year, compared with £1,000 a year for using a cellular phone.

In addition to recommending that BT is given a licence, Oftel has advised the Government that there should be four players in the market. Some people have argued that there should be only two licences to avoid fragmentation of the market.

BT has framed its application for a telepoint licence carefully in the hope of overcoming objections that it would dominate the market.

In particular, it has set up a separate subsidiary to run the service, called Phonepoint, with three partners. France Telecom will own 10 per cent; NYNEX, which runs the telephone service in New York and New England, will have another 10 per cent; and STC, the UK's second largest electronics group, will have between 20 per cent and 25 per cent.

The idea of bringing in minority shareholders is to convince the Government that Phonepoint would be run on a genuinely arms length basis. BT also hopes to show, by including two major international telecommunications players, that it has an effective way of exploiting telepoint overseas.

"A decision against us would have to be a purely political decision," Mr David Dey, one of BT's managing directors, said.

West German groups 'plan expansion in Britain'

By Terry Dodsworth, Industrial Editor

ALMOST half of the West German companies exporting to the UK intend to set up local manufacturing plants, while virtually all German businesses which produce in Britain plan to expand.

These are among the findings of a survey giving a broadly optimistic account of the performance and prospects of West German companies in the UK. The study, by the German Chamber of Industry and Commerce in the UK, says most companies are satisfied with both their financial returns and labour relations in Britain.

The survey also indicates that German manufacturing companies with a local production base are increasing their UK market shares. Almost 40 per cent of the companies which have decided to invest more in Britain say their market shares are rising, while a further 40 per cent claim that their businesses are expanding.

The study says that the UK is the most favoured location for German investment in Europe and lies second worldwide only to the US.

At the end of 1987, the investment of German companies in Britain amounted to DM10.6bn (£3.03bn), with new investment during that year reaching DM1bn. About 60,000 people in the UK work for West German companies, which are mainly involved in the engineering, chemicals and precision instruments industries.

The report, based on responses from 326 companies employing around 48,000 people, says that 65 per cent of German-owned manufacturing groups claim good or excellent productivity in the UK.

Modern factories, new equipment, good training, incentive schemes and good labour relations are all cited as reasons for the buoyant productivity rate. Just over 40 per cent of the sample companies said that UK productivity was similar to West Germany's, with 17 per cent saying it was higher and 26 per cent lower.

"These statements contrast starkly with the general view abroad that productivity in British companies is generally unsatisfactory," the study says.

The report also underscored the satisfaction of West German companies with the financial returns on their investments in Britain.

Only 16 per cent of the companies responding to the survey called their returns unsatisfactory and 80 per cent said they were good or excellent. Returns were considered to be comparable with similar operations in Germany in 31 per cent of the cases, higher in 23 per cent, and lower in 22 per cent.

Reasons given were product quality, exchange rate fluctuations, comparatively lower production costs than in Germany and good productivity.

The report is available from the German Chamber of Industry and Commerce, 12/13 Suffolk St, St James's, London SW1Y 4HG. £12.00 for members, £18.00 for non-members.

British SDI ruled out by Younger

By John Mason

THE DEVELOPMENT of a British version of the US Strategic Defence Initiative was ruled out by Mr George Younger, the Defence Secretary, yesterday.

He said feasibility studies carried out by the Ministry of Defence, which concluded that a European anti-ballistic missile umbrella would be possible, were simply part of the American SDI research programme and the British Government had no current plans to develop such a system.

"We are not involved in establishing or developing any anti-hallistic systems ourselves," he said. "There is no intention, money or need in Britain for such a system at the moment."

The studies concluded that a system based on existing technology such as the Sea Wolf ground-to-air missile and the Starstreak laser-guided missile could provide a workable defence against nuclear attack.

Bnt Mr Younger said the studies had been carried out only as part of the US researcb programme whicb had botb commissioned and paid for the work.

Only parts of Britain's current missile technology could be used in such a system, he added.

Mr Younger also suggested the budget for the American SDI programme could well be cut when Mr George Bush, the President-elect, takes office and tries to reduce the US budget deficit.

"They are going to have to reduce their public spending and obviously the defence programme will take a big slice of that and I imagine the SDI programme must be a strong candidate for reductions," he said.

Mr Martin O'Neill, Labour's Defence spokesman, had given a warning earlier that speculation that Britain might develop such a system could damage relations with the Soviet Union and put it on the defensive in arms reduction talks.

New accounting framework designed to heal divisions

By Richard Waters

A FRAMEWORK of basic accounting concepts, intended to bring greater consistency to the system for setting formal accounting rules in the UK, was published yesterday.

The framework has been keenly awaited by the UK's Accounting Standards Committee, which yesterday said it would make it easier to reach agreement on difficult accounting issues.

Disagreement over a series of subjects including current cost accounting and, most recently, acquisition and merger accounting have exposed weaknesses in the standard-setting system.

The framework, commissioned by the Institute of Chartered Accountants in England and Wales, is intended to heal these divisions by establishing a series of ground rules on which all accountants agree.

The need for such a conceptual framework was given prominence in the recent report of the Dearing committee, which recommended ways of improving the standard-setting mechanism.

The framework provides a definition of the basic elements in financial statements, including assets, liabilities, income and equity. It also explains how and when information on these elements should be disclosed.

The report may raise as many accounting arguments as it attempts to solve, though. The author, Professor David Solomons, who worked on a similar framework in the US, applies his guidelines to specific accounting issues, in the process challenging current reporting practice.

In particular, his conclusion that brands and other intangible assets should not normally be shown in companies' accounts is likely to prove controversial in the current climate of "brand accounting" in the UK.

He also takes issue with UK practice in accounting for deferred taxes, pension costs and leases. More fundamentally, he says that the present accounting system should be replaced by one which recognises changing prices.

Mr Michael Renshall, ASC chairman, said yesterday that his committee will not be bound by the details of the report, but that it will consider adopting the broad principles.

Current cost accounting is "on the back burner" and is not a subject the ASC intends to tackle this year, he said.

Guidelines for Financial Reporting Standards, Publications Department, Institute of Chartered Accountants in England and Wales, 399 Silbury Boulevard, Central Milton Keynes, MK9 2HL. £9.95.

Obituary

Donald O'May: maritime lawyer

By Nick Bunker

MR DONALD O'MAY, one of the world's leading maritime lawyers and a close adviser to senior underwriters at Lloyd's of London, the private insurance market, died suddenly on December 30. Mr O'May, who was 61, had been senior partner of Ince & Co, the London law firm, since 1975.

Mr O'May was well-known in the insurance community for a series of investigations he and his firm conducted into fraudulent scuttling of ships around the world. His most famous legal exploits arose though from the Arab-Israeli war in 1967, and the hostilities between India and Pakistan in 1965 and 1971.

After the Arab-Israeli war, he worked with Mr Roy Merrett, one of the leading Lloyd's marine nnderwriters at the time, to secure the release of 15 merchant vessels whicb had been trapped by the closure of the Suez Canal.

He was also at the centre of talks with the Governments of India and Pakistan to recover neutral shipping which had been seized by each side.

Mr O'May had been preparing for possible litigation in the US against Iran and Iraq which was aimed at recovering money London insurers had paid out in claims for ships sunk by each side in the Arabian Gulf. He intended using an obscure and archaic US law to overcome the sovereign immunity which governments usually claim to enjoy against lawsuits.

Mr O'May played a leading role in London in drafting standard clauses for marine insurance policies. A director of Lloyd Thompson, the Lloyd's insurance broker, he was also an academic expert on insurance and shipping law.

He co-wrote a volume of Halsbury's Laws of England.

British Coal to confront union over six-day plan

By Maurice Samuelson

BRITISH COAL has decided to confront the National Union of Mineworkers on the contentious issue of six-day production at new collieries.

The challenge was issued at the weekend when the Corporation announced that the first contracts on the long delayed Margam drift mine in South Wales were likely to be let in the Spring despite continuing opposition to six-day production by the National Union of Mineworkers.

The Corporation, with strong backing from the Government, insists that big investments such as the £100m Margam project can be justified only on the basis of six-day output, instead of the 40-year-old pattern of five-day working.

It is national NUM policy to oppose six day production, although left to itself the South Wales NUM would be prepared to accept the Corporation's condition for developing Margam.

The Corporation's decision to move ahead at Margam was indicated at the weekend by Mr Terence Wheatley, British Coal's South Wales manager, who told workers that he expected the first contracts for the colliery to be let in a few months.

The decision is understood to have been taken on the strength of the pact hammered out between British Coal and the Union of democratic Mineworkers, which broke from the NUM after the 1984-85 miner's strike. This led last month to a full agreement for six day production at the Asfordby mine in Leicestershire.

The Margam mine, the biggest ever investment in the South Wales coal industry, will create about 1,000 new mining jobs, as well as hundreds more more jobs during the construction period.

NUM leaders in South Wales have long campaigned for a start to the project as partial compensation for the scores of collieries which have been closed there.

They in principle two years ago to six day coaling there, but a formal agreement has been blocked by the opposition of the national NUM.

UK-Luxembourg deal agreed on unit trusts

By Eric Short

UNIT TRUSTS and other collective investment schemes authorised in Luxembourg will be freely marketable to UK resident investors from March under an agreement between the Principality and the Department of Trade and Industry.

Procedures to implement the agreement were published yesterday by the Securities and Investments Board – the financial services watchdog.

This agreement anticipates the full implementation of the European Community directive on Undertakings for Collective Investments in Transferable Securities, commonly called the UCITS directive, scheduled to take effect from October.

This will provide for the free marketing of collective investment schemes, such as unit trusts, in all member countries. The DTI agreement means that UK unit trusts will be marketable in Luxembourg and vice versa before the October deadline.

Luxembourg's local market for collective investments is tiny at present. But the Principality has become a leading "offshore" investment centre as overseas groups have set up shop there with the intention of marketing their products outside Luxembourg while taking advantage of the country's favourable tax environment.

UK financial service regulations place strict controls on the marketing of offshore funds in the UK and have had the effect of severely limiting their market.

The UK-Luxembourg agreement will put these Luxembourg funds on the same footing as UK unit trusts in marketing terms, subject to the financial services regulations, providing they win the necessary approval from the DTI.

Any authorised investment firm will be able to promote approved Luxembourg funds. The approved firms will have the same opportunities to advertise in the media as UK authorised trusts.

Offshore funds will not, however, be covered by the SIB compensation scheme and investors buying these funds would not have an automatic right to change their minds within 14 days of purchase without penalty.

Many investment companies operating from Luxembourg are UK nnit trust groups, which will in effect be competing with themselves.

However, Mr Peter Pearson Lund, chief executive of Gartmore, said that the agreement would enable his group to market investments such as umbrella funds which are more tax efficient wben operated from Luxembourg.

Some investment groops based in other EC countries have Luxembourg based funds which can be marketed in the UK under this agreement subject to their winning the necessary approval from the DTI.

Managers buy Aeroquip seals unit in £5.3m deal

By Anthony Moreton, Welsh Correspondent

THE MANAGEMENT of the Cardiff-based seals division of Aeroquip Corporation has bought the business in a £5.3m deal with the US parent company.

Finance for the buyout was provided by 3i – Investors in Industry – in a mix of equity invesment and long-term loans. The new company will be called Seal Technology Systems.

Aeroquip, a subsidiary of Trinova Corporation, of Maumee, Ohio, has been looking for a buyer for the seals and gasket division for some time.

It has had several approaches, almost all of them thought to come from abroad.

Aeroquip acquired the business in 1970 as a result of a takeover and the seals division has always sat slightly uneasily within the US company's expertise in hoses.

Seal Technology Systems, whicb employs 270 people on a site next to Aeroquip's hose-manufacturing unit, will become one of the leading suppliers of seals and gaskets to the UK motor industry. It has a turnover of about £6m, a third of which is exported to Europe.

Unions face airline staff split

By Jimmy Burns, Labour Staff

THE TRADES Union Congress is facing the prospect of a damaging internal split as a result of a threatened mass defection from tbe TGWU transport union of more than 4,000 airline cabin staff.

Leaders of Balpa, the pilots' union, which is a TUC affiliate, yesterday agreed to continne discussions with "dissatisfied" officials of the British Airlines Stewards and Stewardesses Association (Bassa) — a subsidiary of the TGWU – which could to lead to the creation of a new union outside TUC control.

Captain Mike Wallace, Balpa's chairman, said last night: "We are members of the TUC and will continue to abide by TUC rules, but if anything alters in the future we may have to reconsider our position."

However, TGWU officials, gave a warning last night that they would consider invoking the TUC's disputes procedure to prevent their members from being "poached" by Balpa.

Under TUC rules which led to the expulsion of the EETPU electricians union last September, an affiliate can recruit members belonging to another affiliate only if there is proper consultation and agreement of all the parties involved.

It emerged yesterday that TGWU officials normally responsible for cabin staff were bypassed by Bassa representatives in their direct approach to Balpa.

Tensions over union representation of cabin staff have been building up in the aftermath of the British Airways merger with British Caledonian because staff in each airline were represented by different sections of the TGWU.

The breakaway from the TGWU is being threated by long-haul cabin staff who were employed by British Airways before the merger and who are believed to be opposed to the majority on the TGWU's nataional executive which was recently won by the left-wing.

Similar internal union battling over representation led last April to a mass membership defection from another TUC affiliate, tbe Banking Insurance and Finance Union. It was also behind the creation of the Union of Democratic Mineworkers after the year-long miners' dispute in 1984-85.

The current row coincides with a major effort by all the big TUC unions, including the TGWU, to retain their existing members in the face of dwindling numbers in recent years.

Inquiry expected to clear makers of film on Gibraltar deaths

By Raymond Snoddy

AN INDEPENDENT inquiry into the making of a controversial Thames Television documentary Death on The Rock has vindicated the independent television company and *decided* that it was right *last* year to make the programme on the deaths of three IRA terrorists at the hands of British security forces (the SAS).

The terrorists bad been under surveillance by the SAS and were suspected of having pnt into operation plans to explode a car bomb at or near a public cermonial parade.

The report of the inquiry into the television programme was chaired by Lord Windlesbam, a former Conservative Northern Ireland and Home Office minister. It will essentially clear the programme makers with only a few caveats.

Thames Television went ahead with the hroadcast of the programme in May, supported by the Independent Broadcasting Autbority, despite a formal request from the Foreign Office not to show it in case the Gibraltar inquest into the deaths was prejudiced.

The Windlesham report is now complete in draft form and is likely to be poblished on January 26.

The programme contained allegations by witnesses that at least two of the terrorists may have been shot while their hands were in the air – a view that was not accepted by the subsequent inquest which brought in a verdict of lawful killing by a 9 to 2 majority.

The Windlesham report will criticise Thames for not telling viewers that although the TV company had a hand-written letter from Mr Kenneth Asquez, a key witness, he had not signed a subsequent formal statement taken by a solicitor.

At tbe inquest Mr Asqnez retracted his statement that he had seen a member of the SAS standing on a terrorist and pumping bullets into him.

The report, which has yet to be submitted to an extraordinary meeting of the Thames board before being submitted to the IBA, will also point to several sections of the commentary which, it says, could with hindsigbt have been improved.

But it will clear Thames of criticism made by both the Government and some newspapers that:

- The programme makers had preconceived ideas and merely looked for evidence to back them up.
- Paid or exerted undue influence on witnesses.
- Contaminated the evidence of witnesses or prejudiced the inquest.

Most Pan Am jet parts found

By Michael Donne, Aerospace Correspondent

MOST of the wreckage of the Pan American airlines jet which crashed on Lockerbie, Scotland, has been recovered.

Parts have been sent to the headquarters of the Air Accidents Investigation Branch of the Department of Transport at Farnborongh, southern England. They are being forensically tested to determine the nature of the bomb and where it was placed in the aircraft.

Meanwhile, Superintendent Angus Kennedy of the Dumfries police, said yesterday thet the locations of between 80 and 90 per cent of the aircraft had been identified, although so far only 20 per cent of the parts had been recovered.

Search parties had recovered most of the jet's tail section from Langholm, 15 miles east of the Lockerbie crash site, while teams were also still working 40 miles away in the Kielder Forest, Northumberland, where aircraft pieces and items of passengers' property were found on Monday.

The hunt was continuing in a 150 square miles area.

Mr Kennedy said that 106 bodies from the disaster had now been released to relatives, including two from Lockerbie itself. Many bodies were still being held for positive identification.

By late yesterday, 242 bodies had been recovered, leaving 28 unfound. Those included 20 from the aircraft's passengers and crew and eight from Lockerbie.

Mr T. Allen McArtor, administrator of the Federal Aviation Administration, yesterday called for tighter security for US airlines serving the UK and Western Europe and the Middle East.

He flew into Gatwick to discuss security with US airlines, and said that before the crash he had been happy with the security arrangements on US flights. "But I think that we now need a heightened level of security on all American flights operating out of European and Middle Eastern airports."

He told airport and security chiefs that he wanted to see greater use of screening halls where at present only selected baggage is thoronghly searched. They agreed bnt emphasised that the biggest problem was space and expense.

The Soviet Union yesterday offered to help in tracking down the terrorists who blew up Pan American Flight 103.

Foreign Ministry spokesman Vadim Perfiliev told a news briefing that "those responsible for the catastrophe should be found and punished. We hope that the international co-operation that has come to be will lead us to find these people." He said the Soviet Union was ready to take part in international efforts to "rid human civilisation of terrorism."

In Budapest, a caller claiming to be an Arab told Hungarian officials that a pro-Iranian Shia organisation blew up Pan Am Flight 103, and warned of a bomb threat to Scandinavian Airlines System.

'Unprecedented' growth for Midlands industrial property

By Richard Tomkins, Midlands Correspondent

CONTINUED buoyancy of the West Midlands economy is reflected in the optimistic tone struck in an end-of-year review of the regional property market.

Debenham Tewson Chesshire, the property adviser, speaks of unprecedented growth in tha region's industrial and commercial property market during 1988 and forecasts that it will continue into the 1990s.

Industrial land values have doubled during the year, the survey says, with rent levels up to £3.50 to £4.50 a sq ft – an increase of nearly 30 per cent at the top end of the scale.

One factor behind the trend has been the pressure on development land in the south-east of England. This has encouraged companies to relocate to the West Midlands where they see the benefits of good communication links, shortly to be further improved with the construction of the M40 motorway.

Office accommodation continues to be in "huge" demand, the survey says, with lettings of £14 a sq ft now being signed in Birmingham city centre.

Large areas of the commercial centre are undergoing refurbishment or redevelopment and several big office schemes exceeding 100,000 sq ft are under way.

New office development has until now been fairly marginal in the industrialised part of the West Midlands, the survey says, but it expects this to change in 1989 as the region continues to regain confidence.

The survey is less positive on the retail market, pointing to teething troubles at new developments in the early stages of trading, but it says the Government's attempts to dampen consnmer demand have done nothing to quell developers' entbusiasm for shopping schemes.

The new City Plaza in Birmingham city centre has attracted up-market specialist shops prepared to pay rents of £60 a sq ft for prime sites, and in Solihull prime rents have risen to more than £80 a sq ft.

Meanwhile, the vast Merry Hill Centre in Dudley is "the great success story of retailing in the West Midlands," the survey says.

The Debenham Tewson Chesshire Report; Debenham Tewson Cheshire, 10 Colmore Row, Birmingham B3 2QD; free.

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MANAGEMENT

Motivation

When down means up

Tim Walker explains to Christopher Lorenz why he feels he has furthered his career by moving from a multinational to another building products group a tenth of its size

Six months ago Tim Walker took a step which many managers in large companies dream of making, if only they had the courage: he threw up his job at a multinational with 17,000 employees and moved to the managing directorship of a group less than a tenth its size.

This was not the classic move of a manager stuck in the middle of an organisation who can only get to the top by leaving to run his own show; the 49-year-old Walker was one of two joint managing directors of Redland, a building materials group which, with worldwide sales of £1.8bn, is one of Britain's leading companies.

Nor is Walker the number one at his new place of work, Caradon – a thrusting company which was formed three years ago as a management buyout to revitalise several famous building product brands, including Twyfords bathrooms, which had languished under conglomerate ownership at Reed International.

Above him as chief executive, responsible for expanding the group through acquisitions and other deals, is Caradon's dynamic founder, Peter Jansen, a friend of Walker's with whom he had worked closely for eight years at Redland.

But after a baptism of fire working an 80-hour week while tightening-up Everest, the double glazing company which Caradon bought for £32m last May as its biggest acquisition so far, Walker is clearly relishing the change in every way – especially the speed with which decisions can be made in a group with only eight managers in its top two tiers. "My wife has to bother about me less when I come home at night," he says; "I'm tired but satisfied, rather than anxious and frustrated." Joanna Walker is a hard-pressed professional in her own right; she runs the farm they own jointly.

Walker's motivations in moving to Caradon were a good deal more complicated

INSIDE EDGE

than was suggested in June, when press reports claimed he had been passed over in a race for the top solo job at Redland. Walker insists this is incorrect, and that his decision to leave, taken in February, was sparked off by a headhunter's approach for him to become chief executive of a company roughly the same size as Redland. He discussed the idea with Jansen, who attracted him to Caradon instead.

One reason was money; Caradon's package includes a substantial bonus and a share options scheme which should give Walker a sizeable capital sum within three years – something that was impossible under Redland's scheme.

But financial considerations play only a small part in Walker's enthusiastic description of how life in a medium-sized company differs from that inside a giant.

"The things that excite me most are the tightly-knit management team, the ease of communication, the unity of direction, and the fact that all our businesses are capable of growth – our fortunes are entirely in our hands," he says.

Compared with most large companies, "we're much more open-minded about what we can do," claims Walker. "We don't let the strategic process dictate the strategy – it's just a framework which gives a general sense of direction."

This is not to say that Caradon operates less rigorously than a large company; Walker stresses that Caradon's three-year plan and its budgeting and reporting systems "are every bit as good as Redland's."

There may be slightly less paperwork, and he claims that the cohesive relations between Caradon's head office and all its subsidiaries make its budgets and plans more uniformly realistic, but the two companies' planning and budgeting cycles are similar. "The notion of a successful medium-sized company being less tightly-run than a large organisation is rubbish," says Walker.

Given the big-company experience of most of Caradon's top team, his view is not surprising. Beneath the trio of Jansen, Walker and Daniel Cohen, the group finance director (formerly at Courage breweries) are five divisional managing directors, all but one of whom have been brought in from large companies. The most recent appointee took over at the beginning of December as managing director of Everest, releasing Walker to play his group role more fully.

That five-strong team will need no enlargement over the next few years, Walker forecasts, even though Caradon has dramatic growth and acquisition plans – including in the US and continental Europe – which could triple its size and geographic spread quite quickly from its current annual sales rate of over £300m.

Walker's confidence sounds rash until he explains his and Jansen's readiness, if necessary, to allow an extra tier of management to develop beneath the five divisional managing directors. He is convinced that medium-sized growth enterprises should not be so obsessed with leanness that they limit their number of management layers excessively; nor should they compensate by enlarging each executives "span of control" to 10, 15 or even 20 subordinates, as many large companies are doing. "God help them!" is Walker's comment on this trend.

"That's not the issue," he emphasises. "The key thing is that any boss should have

enough time between regular review meetings to follow things through informally with his people. However good your managers are, you've got to counsel and challenge them. Otherwise all sorts of mistakes will happen, and cost the company dear."

Even before he got to the top at Redland, Walker had to operate what he calls "the unacceptable life" of a typical senior executive in a multinational. At one stage he was on the board of 24 subsidiaries, and was travelling around the world for review meetings with them for half of each month, leaving far too little time to run things effectively back at base. "I wasn't doing either side of the job properly," he says. He is determined that this problem will not affect his colleagues as Caradon grows.

It will be just as much of a challenge for the company to preserve the climate of motivation and easy communication which it has established in its three short years of life after the buyout from Reed.

Roughly half Caradon's current 1,500 employees are shareholders, thanks to the original buyout arrangements; this fact, and the hard times they experienced in the final years under Reed, have given them "a far greater understanding of the need for profit than I've ever seen in a company before," Walker says.

"These people are pushing us to grow the business," he continues. "They even run competitions in the factories to decide who can take time off to attend our annual general meeting." There can be few large companies outside Japan which can boast quite that level of employee commitment.

Introducing Just-in-Time

Easier said than done

By Malcolm Wheatley

Although forcing through changes in corporate objectives is never easy, the real problems usually begin when efforts are made to turn these objectives into results. As the Soviet Union's President Mikhail Gorbachev might remark, there is more to perestroika and glasnost than simply announcing that things will be different in future.

This is because turning objectives into results requires that policies are first changed – and most managements tend to have a strong vested interest in leaving existing policies untouched. This reluctance to change arises out of the performance statistics that managers are measured against – the structure of "carrot-and-stick" checks and balances that keep the company on course.

Nowhere can this be seen more clearly than in companies adopting Just-in-Time (JIT) manufacturing. While many managements have seen the enormous benefits possible through the adoption of JIT techniques, few companies have found the implementation process painless.

This is almost always because performance measures in most companies actually hinder rather than help the required changes to happen.

Principle

To understand why, look at the way JIT actually works. The underlying principle is "flow". Orders are supposed to move through the factory, from machine to machine, in batches that are as small as possible, arriving at each successive machine "just-in-time". The combination of very small batches and nil or negligible work queues then leads to minimal work-in-progress and extremely short lead times.

Factories promise deliveries in days rather than weeks; quality improves as the lag between making a part and inspecting it shrinks virtually to zero, and salesmen are happier as better product flow brings improved responsiveness to customers' demands.

While such descriptions of manufacturing nirvana are increasingly luring companies along the JIT road, many of them are not only finding the road rockier than they had expected, but also that the passengers seem strangely reluctant to reach the destination.

This reluctance stems from the fact that performance measures in most companies penalise improved flow rather than reward it. Productivity and efficiency measures are a prime example of this. Irrespective of how they are calibrated, these measures all usually report smaller batch sizes as being a deterioration in efficiency. This is because they measure output over input, and the input half of the equation always includes an allowance for setting up or its equivalent.

As a result, most manufacturing managers will try to increase batch sizes rather than reduce them, especially shop floor supervisors who feel hardest the weekly rap over the knuckles from their superiors.

The impact of smaller batches is also felt adversely in the shop floor worker's weekly pay packet. As bonus schemes principally reward sheer output, an enormous industrial relations hurdle is put in front of any management contemplating a move towards JIT by reducing batch sizes.

If operatives and manufacturing management find smaller batches a mixed blessing, the pain felt higher up the company structure can be decidedly terminal.

As profit is achieved by accruing output to recover overheads, managements dare not interrupt the generation of unrequired output because of the impact on overhead recovery.

A little reflection reveals all too clearly the reasons for the resistance that companies encounter when adopting JIT. Not surprisingly, many implementations bog down when the going gets rough.

The basic problem is that people are often not measured against their contribution to the corporate goal itself. While academics are still arguing over what exactly this goal is, a useful interim definition is simply "making money".

In the long run, if companies do not make money then they do not survive. The problem is that traditional performance measures do not really help managers to measure their true progress towards this, which then leads to the problems already mentioned. Maximising output does not necessarily maximise true profitability – not when you have made products early or in the wrong sequence or in long runs. The resultant excess over current demand simply sits in the warehouse increasing the financing charge.

Maximising efficiency does not necessarily maximise profitability, either. Larger batches simply mean yet more finished goods and work-in-progress to finance and longer lead times and reduced customer responsiveness also do not help.

So while JIT techniques are pushing companies towards increased true profitability, traditional performance measures are pushing hard in the opposite direction.

How can managements avoid this without having to discard performance measurements entirely?

The first thing to do is to ensure that the measure of output is compatible with the goal of making money. This means measuring output only at the point of actual sale, not when it goes into the warehouse or passes from one part of the factory to another.

Admittedly this is easier in some industries than in others, but the objective of the approach is to ensure that the whole organisation is working towards maximising what actually goes through the door and out to the customer.

It is equally important to alter the measurement of efficiency so that flow is no longer penalised. As efficiency is expressed as a measure of output over input, this means making sure that the input measure includes only direct productive time. Input measures which include set-up time, or are simply "attended hours", or "people employed" will always report smaller batches as being inefficient. Instead of trying to maximise the number of parts that can be produced in a given time, companies should move to minimising the time (excluding set-ups) in which a given number of parts can be produced. A subtle difference, but an important one.

Associated with this must come a change in bonus schemes. If a bonus scheme is one that maximises output, it must either be changed so as to maximise immediately saleable output (and this is difficult to measure at the level of the individual operative or department) or alternatively bought out completely so as to neutralise the adverse effects.

Group schemes based on factory despatches may be felt to provide less of an incentive to the individual, but they do point everyone in the right direction and take away the incentives for individuals to impede the flow. The real point remains, though, that too many companies still rely on bonus schemes as a substitute for management.

Profit drop

The profit problem is a harder nut to crack. In the company accounts, there is no way to avoid the apparent drop in profit when stocks are cleared – short of changing the accounting standards – and losing year-to-year comparability.

The straight answer is to come clean with the shareholders and announce that there will be a one-off impact on the profit and loss; but also to explain that, as with any good investment, the cost now will be recouped many times over in future years.

Words to this end can be found in many annual reports these days. For those unable to face explaining how running stocks down is "an investment", one way out is to spread the loss (and the manufacturing improvements) over several years – but by then it may be too late.

It is possible, then, to change performance measures in line with JIT practices. The changes required are far from being "quick fixes", though. Many of the performance measurement barriers to JIT comprise the very cornerstones of traditional manufacturing, and will not be demolished easily and quickly.

"You get what you measure," say the Americans. To make money – real money – start really to measure it.

Dr Wheatley is a senior consultant with Deloitte Haskins and Sells.

TECHNOLOGY

'Dipstick' test for germs in battle

SCIENTISTS at the UK Chemical Defence Establishment, at Porton Down in Wiltshire, are developing a simple test to detect bacteria and viruses that might be used in germ warfare. It would enable a soldier to tell within 10 minutes, from a colour change on a plastic strip, which germs were involved in a biological attack.

The Porton Down researchers have already made their first "dipstick" test of this type. It detects a toxin produced by Clostridium perfringens, the bacterium that causes gas gangrene to develop in wounds. A sample containing only a few millionths of a gram of toxin causes a blue spot to appear on the test strip.

The long-term aim is to produce a single test strip which can identify several germs. Smallpox, plague, anthrax, typhoid, Marburg and Lassa fever are all possibilities for the biological battlefield. Each virus or bacterium would show up as a separate coloured spot on the strip.

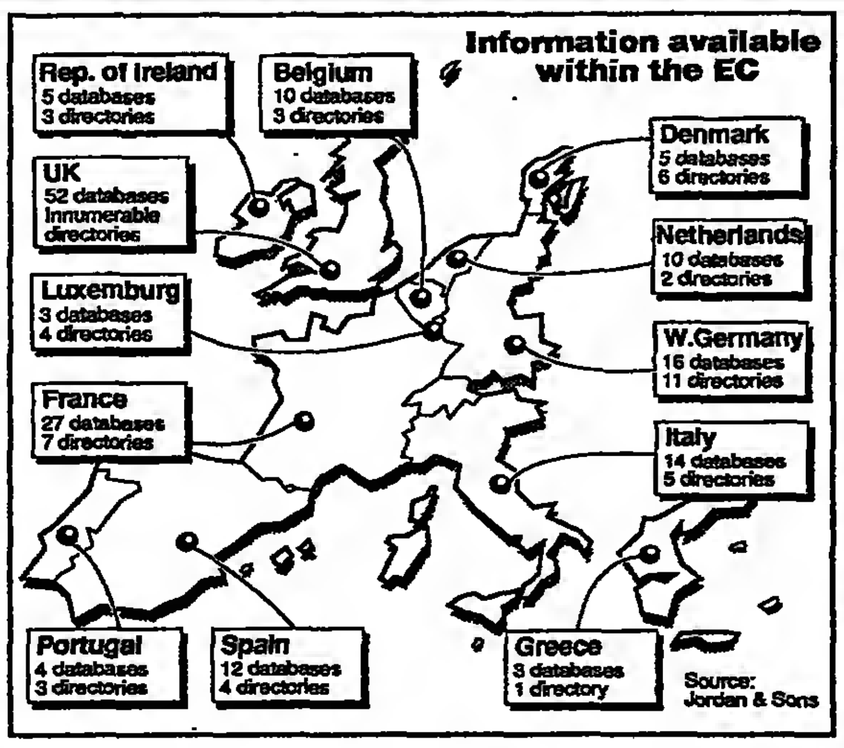
Porton Down is working with Celltech, the UK biotechnology company. The project is a sign of the Chemical Defence Establishment's new eagerness to share its expertise with industry.

Celltech hopes that the collaboration will help it to win a significant share of the fast-growing medical market for quick diagnostic kits. It is developing detection strips for several common diseases.

Like other new diagnostic tests, the Porton Down dipstick is based on monoclonal antibodies. Laboratories can now make a large quantity of pure antibody that homes in on its target, such as a germ or chemical.

An attractive feature of the Celltech-Porton Down test is its simplicity. The operator need only add a sample to a small well in the strip and then press a built-in blister containing the liquid reagents. The chemicals move up the strip like water through blotting paper and a coloured spot appears at the top if the particular germ is present.

Clive Cookson



At the frontiers of corporate data

Paul Abrahams looks at the obstacles to be overcome in meeting the growing demand for international information

There are now just over 1,000 merger and acquisition days before the end of 1992. And to meet an ever-increasing demand for intelligence about European companies, database suppliers are hurrying to integrate national systems into international networks.

"With plans to implement free trade in goods and services beginning to bear fruit, so the demand is growing for standardised and comparable information about European companies," says Diane Dalmon, marketing director of London-based ICC Online Databases, one of the leading business information suppliers in the UK.

"The benefits of such information are clear. The databases provide an effective method of helping managers prepare mergers and acquisitions by allowing them to compare the performance of companies in similar sectors and different countries. They also offer important intelligence on suppliers and customers. Salesmen and marketing managers can use them to target their campaigns more effectively," she says.

However, despite the undoubted advantages which might be offered by pan-European electronic databases, serious problems remain to solved if they are to be used effectively. Not least among these is the parochialism of most databases. At the Online Information conference in London last month, Dieter Schumacher, director of Online GmbH in Heidelberg, argued that although there were many national databases, few crossed borders.

Schumacher pointed out that those which were more international tended to duplicate information on large quoted companies, but to neglect medium and small concerns. Neither Dun & Bradstreet, the US-based credit agency, nor Kompass and Eure, the Europe-wide directories, covered the bulk of European industries, he said.

Some companies are trying to transcend this problem by integrating national databases. ICC Online Databases has created or linked up with on-line services for the Irish Republic and Denmark. The company expects soon to announce links with France, West Germany, Belgium and the Netherlands. All of these databases will have similar formats.

Jordan & Sons, the UK business information suppliers, have also been creating European links. They have set up a CD-Rom system with Bureau Marcel van Dijk, information consultants based in Brussels, to provide company information about Belgium and the UK. A French disk is on the way.

Extel of the UK is also planning to move into the market when it launches a new international database called Global Vantage. This will offer detailed analysis of more than 6,000 international companies. Other information suppliers include Handelsbank in Dusseldorf and Dafsa in Paris.

However, even when databases from different countries have been standardised into similar formats, researchers who try to compare the accounts of companies from different countries will continue to face problems. "The risk is that the unwary user may be badly misled when comparing financial data from different countries because accounting practices differ so much," says Professor Christopher Nobes, the Deloittes' Professor of Accounting at Reading University.

Nobes explains that the criteria by which data in annual accounts are calculated differ widely from country to country. One of the main reasons for this is that accounts have different functions in different countries.

In the UK, for example, accounts are prepared to inform investors about the company's performance. As a result, UK companies stress the importance of profits to maximise their attractiveness to shareholders.

In West Germany and Switzerland, however, most finance comes from banks. In these countries, explains Nobes, the need for accounting and auditing is less acute. The main aim of accounts in these countries is to play down profits which are used as a basis of tax assessment.

"It's already difficult enough to compare the accounts of two British retailers in the same sector, or even two in West Germany," says Nobes. "Trying to compare one from the UK and one from Germany combines those difficulties. There are dangerous traps for the inexperienced."

Another problem confronting researchers is the varying availability of information in different countries. Until recently, a number of European countries had no compulsory filing of accounts. Although filing of accounts is now obligatory in all EC countries, anomalies remain. In West Germany, for example, limits have been set by data protection acts controlling the type of information which can be stored on computers.

Other difficulties associated with using databases include:

● Classification of business activity. Phil Holmes, managing director of the information services division of Jordan & Sons, says that this is a disaster area.

The problem is that most Continental countries use the General Industrial Classification of Economic Activity in Europe codes (more commonly known as Nace codes) to classify business activities. These three-figure codes are not easy to use and are far less accurate than the five-figure ones set by the Standard Industry Classification (Sic) system used in the UK.

For example, although cars, commercial vehicles and motor vehicle bodies are all classified differently under Sic codes, Nace categorises them in the same group. Similarly, Nace lumps together vehicle bodies, trailers, semi-trailers and caravans, whereas Sic differentiates between them.

The Sic system also has limitations, however. For example, its classifications have not been up-dated since 1980, so new activities, such as robotics, are not covered.

● Currency fluctuations. Comparing the results of a company which reports in sterling, which is not part of the European Monetary System (EMS), with a concern which reports in a currency that is can be misleading because of sterling's fluctuations. Some accounts need to be translated into Ecus (European Currency Units.)

● Language. There are at least 10 languages in the EC. This means that it can prove difficult to find the right search criteria when looking for companies in specific areas.

● The lack of standardised retrieval systems. Some use menu driven systems, others are more complicated and use keystrokes.

All of these incompatibilities create technological problems. Consultants believe that eventually expert systems will be used to overcome most of the difficulties. Such systems would use reasoning techniques to eliminate inconsistencies. In the meantime, companies must depend upon the expertise of their analysts to interpret the data.

Nevertheless, if problems can be ironed out, the potential rewards for the European information community could be high. David Worlock, president of the European Information Industry Association, says that there could be European players of scale and importance in the world information markets.

Already, non-European information providers are trying to cash in on the demand for data about companies. In particular, the credit agencies, such as Dun and Bradstreet, are in a good position to provide the required information.

These companies have imposed their own standard format and managed to side-step the problem of accounting procedures by using data supplied directly by the companies concerned. Although such data is normally used for credit ratings, the credit companies have ambitions to take on the business information providers.

However, one danger exists for the European information suppliers if they do succeed in building up international databases. Paradoxically, the information they will be providing to assist mergers and takeovers may make them vulnerable to the same phenomenon.

Until recently the European market has been fragmented and unattractive to US-based takeovers. The risk is that once European information companies have unified their databases, they may appear much more appetising to corporate raiders.

French pupils get their hands on a supercomputer

A NEW secondary school in the high-tech area of Grenoble in France has just acquired a supercomputer.

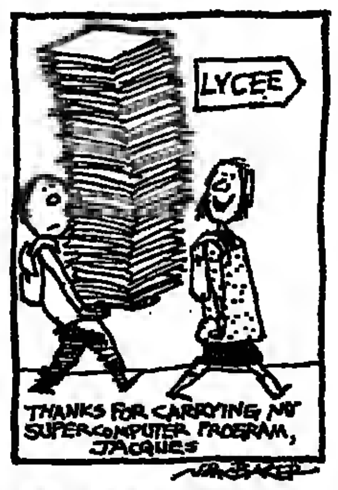
The aim is to give older pupils at the year-old Lycée du Gresivaudan, at Meylan, hands-on instruction with high-performance equipment and a thorough grounding in industrial computer techniques. According to Alliant Computer Systems, which supplied the Alliant FX/I, the lycée is one of the first schools in the world to acquire a supercomputer.

The FX/I – the most basic model in the US company's FX series – is also central to the lycée's role in the community. Financed by the French Government, the school has formed a partnership with local industry and research institutions under an accord with the professional metallurgical and electrical association.

More than 140 high-tech firms are based around Grenoble, including Hewlett-Packard and the Cap Gemini Sogeti computer services group. The FX/1 serves as host computer for the local Unix user group, the largest in France and the provider of the purchase funds – Alliant gave a discount of at least 50 per cent on the list price of £60,000. Henri Bonneville, the school's principal, says: "The Unix club was an obvious direction to take for us, as it has nearly become a religion."

For Jean-Michel Husson, who heads the Grenoble Unix group and runs his own software house, Links SARL, the supercomputer will prevent the pupils acquiring bad habits. "The younger they learn multi-tasking, the better." He says that France, like the UK and the US, has a shortage of well qualified youngsters in computing.

He also believes that the lycée will only earn a reputation in the high-tech industry if it is creative. One of his ideas is to turn computers into a mirror for artists: work is already under way on poetry comprehension. "We have not yet decided how to integrate it into the lycée," says Husson. "Many people think it will be impossible, but just because a program cannot be written



now, it does not mean it will always be beyond us."

The supercomputer's immediate use will be in the two to three-year post-baccalauréat industrial computer course, launched last September to take advantage of a new law allowing apprenticeships after the school-leaving certificate.

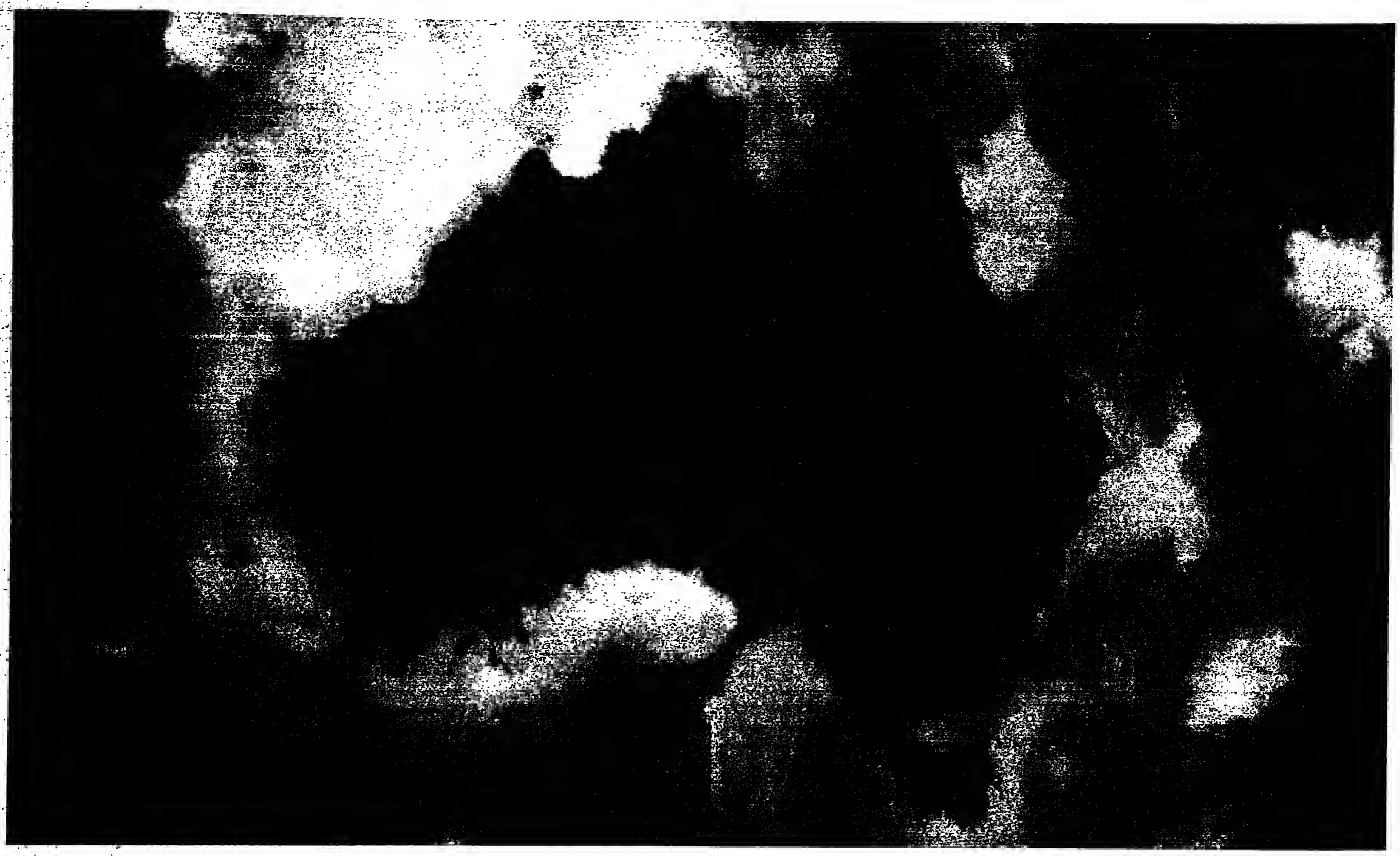
Of the 1,800 hours of courses over the first two years, 400 will consist of on-the-job training, whether at local company premises or with company supervision on the supercomputer. An optional third year will be spent in US or West German universities under agreements being negotiated to give students a US Bachelor of Science degree or a German Diploma in Engineering. Coursework at the lycée will include robotics, computer-aided drafting, design and ultimately manufacturing, as well as pure computing.

"We are trying to create a new race of apprentices," says Bonneville. The 1,500-pupil school of 13 to 20-year-olds already has 100 microcomputers (three quarters provided by local enterprises) and will acquire another 500 next year.

The lycée will also use the vector and parallel capacities of the FX/1 in vocational training to be offered for staff of local companies. Upper secondary schools in France are increasingly providing such programmes.

Alliant's European and UK headquarters are in Camberley, Surrey.

Barbara Casassus



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How younger and older workers view change

By Michael Dixon

YES. I say that because the Jobs column this week arrives at the age of consent, 16 years having passed since it first appeared in present form at the start of 1973.

One happy difference between then and now is that, in economically advanced nations at least, people reaching the age of 16 today have far better work prospects. Whereas in 1973 those coming to the end of their education found jobs hard to come by, young recruits are set to become scarcer and scarcer over the next half decade or so.

Happily, too, the coming shortage of youngsters seems sure to reverse one of the most depressing trends this column's author (who is 40¾ years older than it is) has had to watch while writing it. The trend was the growing liability of people aged 40-plus not only to be thrown out of work, but to be ruled out of consideration for other jobs that were available.

Short of a relapse into deep recession, the days when it was dangerous to reach one's 40th birthday should soon be over. Instead of being pariahs on the jobs market, older workers look bound to be in keen demand.

Even so employers are likely to have problems these next few years, not just in finding enough skilled staff, but in using them well once they are found. For whatever may be happening to the age structures of populations, there will probably be no let up in the rate of economic and technological upheaval. And of the relatively few top executives I have heard admit discriminating against over-40s, almost all said the reason was that young folk respond better to the changes necessary to organisational survival.

Now if my own instinctive reaction is any guide, mature readers will resent the claim that we are less amenable to change than our juniors. But I am sad to say there is some truth in it.

Attitudes

Evidence of that lies, for example, in the extensive survey of British workers' attitudes carried out last summer by the Wyatt group of management consultants. The study covered 3,275 full-time employees in the private and public sectors, including 651 managers with at least two levels of staff below, and the report is obtainable from Wyatt at 21 Tothill Street, London SW1H 9LL; telephone 01-222 8033.

One of the things the survey investigated was the workers' views on the overall result of the changes that had taken place in their organisation over the past year. Among the total sample of 3,275, the proportions who approved and disapproved of the company's development - as distinct from thinking there had been no change or being undecided — were much the same. About 29 per cent thought it had changed for the better, and 30 believed it had got worse. But when the sample was split into various groups, marked differences appeared.

Understandably, since it is people in management who decide what changes are to be made, the minority of managers were happier with the results than the managed majority. Overall, 44 per cent of the managers said that things had improved and 25 that they had deteriorated. In the lower ranks the vote was 28 per cent approving and 32 the opposite.

But when the managers were split into groups by the time they had worked for the company, the results were:

Years of service	Better %	Worse %
Under 1	55.0	5.0
1 – 2	50.0	12.8
3 – 4	62.5	14.1
5 – 9	41.8	26.1
10 – 19	38.8	29.6
20 & over	38.7	35.1

So while the managers' opinion stayed approving on balance, their liking for their company's progress lessened after they had been with it for five years. Once the managed had put in half a decade, however, familiarity increasingly bred dislike:

Years of service	Better %	Worse %
Under 1	29.7	8.5
1 – 2	26.5	28.0
3 – 4	27.7	26.7
5 – 9	24.9	31.5
10 – 19	23.2	42.4
20 & over	22.8	46.0

Views of change also grew gloomier with age. Even the managers registered net disapproval after reaching 55:

Managers' age group	Better %	Worse %
16–24	54.8	17.7
25–34	43.8	20.7
35–44	47.4	24.4
45–54	41.3	27.5
55-plus	26.3	42.1

The managed did the same much younger.

Workers' age group	Better %	Worse %
16–24	30.4	19.2
25–34	26.0	31.9
35–44	21.9	41.4
45–54	24.1	34.8
55-plus	21.8	39.4

So it might appear that top executives wanting the best prospect of a positive attitude to change among their staff would do best to recruit young people and keep them on for a relatively short time.

But that need not follow from the figures. After all, age and long service do not necessarily go together. For example, more than 100 of the people studied had been with their organisation for at most two years even though they were past 45, and much the same number had served over five years although still under 25.

Key factor

Which raises the question of which of the two factors has the worst apparent effect on attitudes to change — length of service, or age?

In trying to answer it, we hit a statistical snag. Despite the size of the survey sample, dividing it up by both years served and years lived leaves some of the divisions with too few people in them to support any conclusions. The only way round the problem is to lump managers and managed together, and then separate them into just three age-groups — 16-24, 25-44, and 45-plus — and three service bands — up to two years, three to nine, and 10 or more.

On that measurement the youngest set, who are not old enough to have been in a company for longer than 10 years, show net approval regardless of the time they have been been employed:

Years served	Better %	Worse %
Up to 2	30.6	16.4
3 – 9	35.7	22.1

The only trouble, of course, is that it is the 16- to 24-year-olds who are going to become harder and harder for employers to find. So if they are wanting positive attitudes to change, which of the other groups would offer them the best prospect — the middle-agers, or the oldest? The study results, divided by years served as well as by age, are:

Age	25-44		45-plus	
Years service	Btr %	Wse %	Btr %	Wse %
Up to 2	31.8	19.7	26.9	14.8
3 – 9	26.3	31.6	28.9	27.4
10-plus	28.3	40.6	25.8	39.4

In net terms, therefore, there is little to choose between the two age-groups. If anything, the 25-44s who fall into net disapproval once three years have been served are a worse bet than the 45-pluses who remain on the whole positive up to 10 years service, and thereafter are only a little more negative in attitudes to change than are people in the age-gronp immediately below.

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FT LAW REPORTS

Digest of Michaelmas Term cases

FROM OCTOBER 18 TO NOVEMBER 4

KAKKAR AND OTHERS v SZELKE AND OTHERS
(FT, October 18)

The dispute over the beneficial ownership of a patent for the development of anti-coagulants by a research team and unit at Kings College Hospital concerned the interpretation of section 82 of the Patent Act 1977, which provided that the court did not have jurisdiction to determine "(b) a question arising before the grant of a European patent whether a person has a right to be granted a European patent, or a share in any such patent . . ." In a majority judgment, the Court of Appeal stated that the plaintiffs' statement of claim asserted entitlement to an absolute share in the patent application and in any ensuing patent for the anti-coagulants, that entitlement having arisen, it was claimed, in equity and to exist under a trust. Article 60 of the Convention provided that the right to a European patent belonged to the inventor or his successor in title and "successor in title" bore a meaning wide enough to embrace the case, the Court, held by a majority, where some other person was entitled, under an agreement or otherwise, to all or a share of the property in the invention.

LIPKIN GORMAN v KARPNALE LTD AND ANOTHER
(FT, October 19)

A partner in a firm of solicitors drew extensively on the clients' account in order to fund his gambling. At first instance, the firm succeeded against the gambling club only for conversion of a draft but against the bank as constructive trustee of the money up to the date that the firm discovered the partner's dishonesty. In allowing the bank's cross appeal and dismissing the firm's appeal against the club for money had and received, the Court of Appeal held that a void contract under section 18 of the Gaming Act 1845 "by way of gaming" meant a contract "for or of" gaming. Thus if a contract came into being on the exchange of money or chips, it was not avoided under the Act. Moreover, any implied term requiring a banker to exercise care had to be limited to circumstances where any reasonable cashier would hesitate to pay a cheque at once and would refer it to his superior who would hesitate to authorise payment without inquiry.

ATTORNEY-GENERAL'S REFERENCE NO 1/1988
(FT, October 21)

At first instance, the judge directed an acquittal where the defendant was charged with having price-sensitive information "which he knowingly obtained (directly or indirectly)" contrary to section 1 of the Companies Securities (Insider Dealing) Act 1985. The defendant's information had been passed on to him by an employee of a bank and the Attorney-General referred to the court's consideration the question, *inter alia*, whether "obtained" in section 1 had the restricted meaning of "acquired by purpose and effort". In answering the question in the negative, the Court of Appeal (Criminal Division) held that in view of the scheme of the Act, it would have been surprising if Parliament had intended that persons should be free to make a profit from insider information simply because of the way in which they came by that information. In the light of the Act's purpose, the conclusion had to be that "obtained" meant no more than "received".

BULK TRANSPORT GROUP SHIPPING CO LTD v SEACRYSTAL SHIPPING LTD
(FT, October 25)

Under a charterparty, discharging time was to commence when notice of readiness was given, "time lost in waiting for berth to count as discharging time" whether in port or in berth, or not. At its destination port, the ship was prevented for three days from reaching an available berth due to fog, and the owners were awarded their demurrage claim, in full, an award upheld by the Court of Appeal. In allowing the charterers' appeal, the House of Lords held the authorities showed that since 1912, at least, it had been recognised that the purpose of the phrase "in berth or not" related to the unavailability of a berth. There was no reported case where it had been suggested that the phrase was intended to deal with the problem of a ship prevented by bad weather from proceeding to berth.

BRADMAN v TRINITY ESTATES plc
(FT, October 26)

The company called an extraordinary general meeting for September, convened by notice dated September 6, to consider a resolution to acquire another business. When the notice and circular were sent out, strike action was being taken in the Post Office so that some shareholders received their notice either late or not at all. Article 135 of the Articles of Association stated that delivery would be "deemed" to be affected within 24 hours of posting. Granting an interlocutory injunction restraining the company from holding the meeting pending trial under s.459 of the Companies Act 1985, Hoffmann J stated that it seemed arguable that, in the circumstances of the postal strike, the posting of the notices could not be deemed to have been effective service to all the shareholders.

CHLORIDE INDUSTRIAL BATTERIES LTD v THE STATE OF JERSEY TELECOMMUNICATIONS BOARD
(FT, October 28)

In a dispute concerning the carriage of goods between Manchester and Jersey, the question was whether the CMR Convention as enacted by the Carriage of Goods by Road Act 1965 applied. In a preliminary issue, Sheen J, holding for the plaintiffs, stated that Article 1 of the Convention applied where the collection and delivery of the goods were situated in "two different countries of which at least one is the contracting country". As the Convention would only become applicable to Jersey by Order in Council directing that the 1965 Act should be so extended, that demonstrated that Jersey was not a different country from the UK and the contract of carriage was not for international carriage.

THE BOUKADOURA
(FT, November 1)

In the instant case, the master of a ship under charterparty refused to sign a bill of lading as presented because there was a discrepancy in the amount of barrels of fuel oil loaded. As a result the ship sailed 24 hours later than she might have done and the owners alleged breach of contract, relying on the charterparty's express terms that the master was to sign bills of lading as presented and the charterers "shall indemnify the owners against all consequences . . . which may arise from an irregularity in papers." In giving judgment for the shipowners, Mr Justice Evans stated that there had been an "irregularity" and there was no reason, either from the terms of the clause or as a matter of principle, why the indemnity should only become effective when the bill of lading was signed.

ROME v PUNJAB NATIONAL BANK
(FT, November 2)

The plaintiffs had delivered a writ to an officer of the bank after that officer had left the UK and returned to India. The bank had surrendered its banking authorisation to the Bank of England and had informed the Registrar of Companies that it had ceased to have a place of business in the UK. It had, none the less, delivered to the Registrar two returns nominating the officer, together with one other, as persons authorised to accept service on its behalf and that return had not been removed but had remained on the file. In refusing to set aside service of the writ, Mr Justice Hirst stated that section 695(1) of the Companies Act 1985 provided that a process was sufficiently served where it was addressed to a person whose name had been delivered to the Registrar and left at that address; the wording of s.695(1) was clear, explicit and categoric and there was no requirement that the bank should have either a place of business in the UK or the continued presence of the nominated person.

LOMBARD TRICITY FINANCE LTD v PATON
(FT, November 4)

In allowing an appeal by Lombard Tricity Finance Ltd against a decision that it ought to have stated the circumstances in which a variation of interest might occur on an agreement for a credit charge account, the Court of Appeal stated that on a fair reading of the agreement, it did provide that Lombard might increase the interest rate at its absolute discretion subject only to notice. The words on the face of the contract were sufficient to convey to the average reader of modest intelligence that Lombard had the right to vary the interest rate at will if it chose, subject only to proper notification. There was nothing to suggest that its right was fettered or limited in any way.

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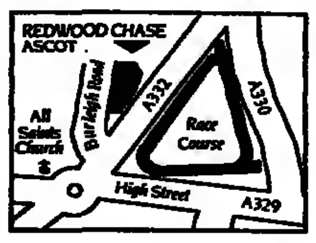

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE

No. 006464 of 1988
CHANCERY DIVISION
IN THE MATTER of SHARPE & FISHER plc
-and-
IN THE MATTER of THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 14th December 1988 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangements and (b) the confirmation of the reduction of the Capital of the above-named Company from 6,000,000 by cancelling and extinguishing all the Ordinary Shares of 5p each in the Company in issue at the date of the hearing of the Petition. The credit arising on the proposed reduction of Capital taking effect will be applied in payable up in full shares of the Company to the same amount in accordance with the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millet at the Royal Courts of Justice Strand London WC2 on Monday the 16th day of January 1989

ANY Creditor or Sharholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 4th day of January 1989 Slaughter and May (LHB)
35 Basinghall Street
London EC2V 5DB.

Solicitors for the Company

No. 007098 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF CRAY ELECTRONICS HOLDINGS PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985NOTICE IS HEREBY GIVEN that a Petition was on the 5th December 1988 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Millett at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 16th day of January 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 22nd day of December 1988.

Clifford Chance,
Royex House,
Aldermanbury Square,
London,
EC2V 7LD
Ref: RWC
Solicitors for the above-named Company

CERTIFICATE OF REGISTRATION OF ORDER OF COURT ON CANCELLATION OF SHARE PREMIUM ACCOUNT

Whereas WESTERN MOTOR HOLDINGS PUBLIC LIMITED COMPANY

having by Special Resolution cancelled its share premium account as confirmed by an Order of the High Court of Justice, Chancery Division

dated the 21ST NOVEMBER 1988

Now therefore I hereby certify that the said Order was registered pursuant to section 138 of the Companies Act 1985 on the 28TH NOVEMBER 1988

Given under my hand at Cardiff the 13TH DECEMBER 1988

No. 348048

J S Ross
An Authorised Officer

COMPANY NOTICES

THE TAIYO KOBE BANK, LIMITED
NOTICE TO THE HOLDERS OF US$120,000,000 1-3/4 per cent. CONVERTIBLE BONDS DUE 2002 OF OFFERING OF SHARES TO SHAREHOLDERS

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 28th September, 1987 constituting the above Convertible Bonds (the "Bonds"), notice is hereby given as follows:

On 7th December 1988, the Board of Directors of The Taiyo Kobe Bank, Limited (the "Company") resolved to offer rights to subscribe for shares of common stock of the Company to its shareholders as of the record date mentioned below. Accordingly, the Conversion Price of the Bonds (currently Japanese Yen 1,677 per share) may be adjusted in accordance with Clause 5(C) of the Terms and Conditions of the Bonds depending on the current market price of the shares of the Company at such record date.

(A) Record Date (Japan Time): 3.00 p.m. 18th January, 1989.
(B) Ratio of Issue: 0.1 share for each one share.
(C) Issue Price: Japanese Yen 670 per share.
(D) Effective Date of Adjustment (if necessary): 19th January, 1989.

Date: 4th January 1989.
THE TAIYO KOBE BANK, LIMITED LONDON BRANCH (Principal Paying Agent)

Notice of the Warrantholders of ITOKI KOSAKUSHO CO., LTD

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Adjustment to Subscription Price

You are hereby notified that, as a result of a free distribution of shares of common stock of Itoki Kosakusho Co., Ltd. to the shareholders of record as at 31st December, 1988, Japan time, at the rate of ten (10) per cent for each share held, the Subscription Price of the Captioned Warrants will on adjusted pursuant to Section 7 of "the Terms and Conditions of the Warrants", from Yen 1,405 to Yen 1,277.30 per share, effective as from 1st January, 1989, Japan time.

DAI-ICHI KANGYO BANK (LUXEMBOURG) S.A.
on behalf of
ITOKI KOSAKUSHO Co., Ltd.

LEGAL NOTICES

No. 006012 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF RENTAMINSTER PUBLIC LIMITED COMPANY
AND
IN THE MATTER OF THE COMPANIES ACT 1985Notice is hereby given that the Order of the High Court of Justice, Chancery Division dated the 21st day of November 1988 confirming the cancellation of the Share Premium Account of the above-named Company and the Special Resolution approved by the Court ohowing with respect to the Share Premium Account of the Company as altered the several particulars required by the aobve-mentioned Acts were registered by the Registrar of Companies on the 3rd day of December 1988.

Dated this 21st day of December, 1988

Jeffrey Green & Russell,
Apollo House,
56 New Bond Street,
London W1Y 9DG
Tel: 01 499 7020
Ref: CT
Solicitors for the above-named Company

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Commission of the European Communities, 200 rue de la Loi, J70, 5/14, B-1049 BRUSSELS.

ARTS

'Tis the season to be scornful

Christopher Dunkley on the importance of television trivia

As Britain's long, enervating winter solstice hiatus comes to an end, the little cottage industry consisting of people with PhDs pouring scorn on popular television suddenly goes into mass production. Almost everywhere you look, people are busy expressing contempt for the ghastly vulgarity of the programmes.

During most of the year this bnstness is relstively restricted. In the review section of the broadsheet Sunday papers, the arts sections of the weekly magazines, various serious radio programmes and even, when they are on the air, in television series such as *Did You See?* novelists, university lecturers and would-be poets earn an extra crust and win applause from their peers by trotting out a *few* wonderfully scornful paragraphs about *Dallas* or *Blind Date* or *Neighbours*.

Come the new year and the paragraphs expand into mighty screeds as loathing and contempt is heaped not only upon the regular rubbish, but upon the Christmas "specials," the old movies, the Queen's Christmas Message, and the annual round-ups.

At first sight this seems baffling: why do serious critical organs pay any attention at all to a phenomenon which they repeatedly dismiss as trivial and despicable? After all, you do not expect to find a lady poet employed by The Spectator to take a faux-naif look at the latest paperback bodice-rippers every week, so why popular television? Like many publications The Spectator chooses not to review the bulk of print, restricting itself to merely that tip of the iceberg represented by "quality": biography, history, serious fiction and so on. The popular rubbish which so heavily outsells it (science fiction, Penthouse magazine, Mills & Boon romances) is simply ignored.

Perhaps there are several answers. First, while many people may never read rubbishy books or magazines, almost everybody tends to see some television trivia. In 1975 Goodhardt, Ehrenberg and Collins wrote an eye-opening book called *The Television Audience: Patterns of Viewing* which showed that many of our assumptions about the way people watch television were wrong. Now Barwise and Ehrenberg have just published *Television And Its Audience** which updates those findings.

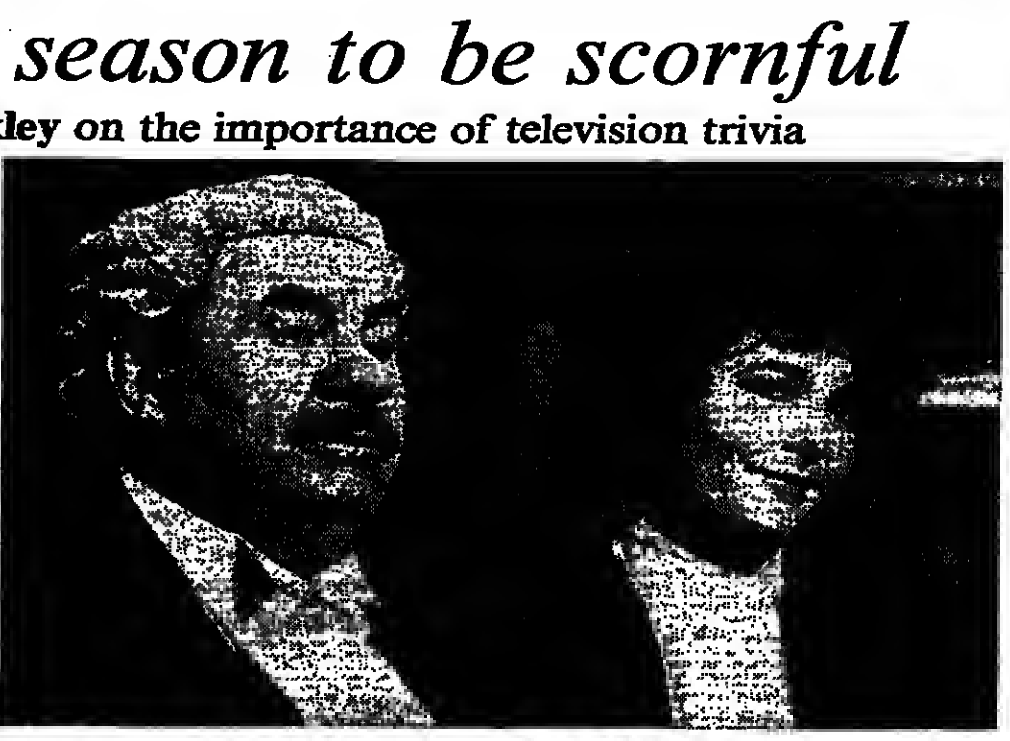
They say: "The better-off and/or more educated groups watch a little less television than the rest. In Britain an average of 23 hours per week compared with 27 hours for all adults." Furthermore: "One might have imagined that viewers of 'light drama' such as *Dallas* would differ markedly in their other programme choices from those of a news or public affairs 'information' programme such as *Panorama* . . . but this hardly occurs . . . all tend to spend much the same proportion of their viewing time on light entertainment (about 15 per cent) sport (about 8 per cent) news (9 per cent) etc."

And "The less well-off choose a slightly lower proportion of the more 'demanding' programmes, 30 per cent against 32 per cent, but, since they typically watch rather more television (averaging almost 30 hours a week) they in fact spend more hours on the demanding programmes than their bstter-off compatriots."

This seems to suggest that whereas a Sun reader is rather more likely than an FT reader to have seen *Panorama* or *World In Action*, the FT reader is just as likely as the Sun reader to have watched *Dallas*. Personal experience, however, suggests that there is a difference: while most Sun readers will feel quite happy about watching *Dallas*, many FT readers will feel guilty and will welcome hostile criticism.

The second answer could be that during this depressing lull at the year's end nearly everybody watches rather more trivia than usual, because there is so little else to do, and because trivia suits the old fashioned multi-generation audience which scarcely ever appears these days *except* at Christmas.

The third answer may reflect rather well on television. Within its output there is an element of "qualipop" (the word was coined by The Times in the sixties when it was attempting to sustain standards while increasing circulation) typified by dramas such as *Minder* and *Rumpole Of The Bailey*, and by comedies such as *Last Of The Summer Wine* and *Blackadder*. As with books by Somerset Maugham or P.G. Wodehouse, these are, by common consent, of a fairly high standard.



The essence of "qualipop": Leo McKern (with Abigail McKern) in *Rumpole of the Bailey*, Rowan Atkinson and Tony Robinson in *Blackadder*

However, the Christmas "specials" of these series are often poor: stretched out to unaccustomed length, and packed with abnormal incident, they not only fail to be "special," they do not even sustain the normal standards of the series. This year's Boxing Day *Minder* was a classic example, being stretched to 90 minutes and featuring Arthur Daley and Terry McCann in a ludicrous rural farrago involving armoured cars and military vigilantes. It would have been twice as good at half the length and back in its usual cockney territory.

However, while these reasons may go some way towards explaining the annual drubbing dished out to television after the most heavily viewed period of the year (average viewing per capita in Christmas week during the last few years: 34 hours) it is also a fact that — however few people will admit it — that considerable numbers of high quality programmes are broadcast during this period.

This year they included Louise Panton's excellent current affairs programme *Street Stories* on BBC2 which painted a vivid picture of London's down-and-outs without ever patronising its subjects or wagging its finger at the viewer or demanding that millions of pounds of public money be spent: an extraordinary achievement.

There was yet another splendidly funny and acutely observed episode (unstretched, unspecial) of ITV's *Rumpole Of The Bailey*, the winter '88 *series being the best that Mortimer has yet written*. Let's hope he can again be persuaded to write more. Also on BBC2 was Allan Kassell's fond but highly informative documentary *Lady Be Good* about Ivy Benson's battle to lead an all-girl dance band to the top of the business.

For those of us interested in such matters there was Channel 4's fascinating collection of archive programmes in *The Cotton Collection*, which proved that David Frost is still using the same gags as 21 years ago.

Then of course there were the movie seasons: a wonderful Bogart collection on BBC2, and an even more valuable, because more unusual, Fritz Lang portfolio on Channel 4. Predictably enough, most of the high quality material was on BBC2 and Channel 4, but the belief that these are somehow more difficult to find is a myth.

Difficulty in keeping track of the good material will, assuredly, grow as television continues to expand in 1989, bnt if the announcements made so far are anything to go by, Rupert Murdoch's Sky satellite service, at least, will not increase the problem much since it appears to be trivia-led. Those following the series of interestingly brash advertisements for Sky, dressed up to look like editorial pages, will already know that Murdoch has signed np Tony Blackburn *and — as they put it —* "top cockney Derek 'Del Boy' Jameson." Each man will be presenting his show five days a week.

We are also promised that "Robocop is ready to blast his way onto your television set" and that other "top features" will include *Dirty Rotten Scoundrels*. So far matters such as original drama, documentaries, ballet and opera are notable for their scarcity, though we are promised that "Later there will be Sky Arts." How much later, one wonders, and what proportion of the output will it represent?

It will be a surprise if satellite services take more than 30 per cent of the audience before the year 2000, but what can be predicted with a degree of certainty is that the amount of guilt in the homes of the middle class intelligentsia will rise in direct proportion to the amount of rubbish on television. So the cottage industry dealing in scorn may well cease being seasonal and go into year-round mass production.

**Television and its audience, Sage Publications, hardback £22.50, paperback £7.95*

Dick Whittington

ALHAMBRA THEATRE, BRADFORD

As a professional critic who goes to the theatre over two hundred times a year, I relish the pantomime season for achieving what the "art theatre" signally fails to do these days, that is, bind an audience in friendship and vistbly forge bonds in a community.

A show such as *Dick Whittington* at the gloriously refurbished Bradford Alhambra — my second visit proved just as much of a treat as my first, last Christmas — is not the best panto ever. I have serious objections to its cavalier treatment of the genre. But, hy golly, it warms the cockles of the heart in a way unimaginable at *Electra* in The Pit, or *Orpheus Descending* at the Haymarket, to mention two of London's most extraordinary current classical productions.

What a Dame . . . Christopher Biggins as Sarah, with the Krankies

I have sensed a mute sobriety in pantomime audiences this year, certainly something to do with the shock and grief engendered by the Armenian earthquake, the Clapham rail crash, the Lockerbie air disaster. The shipwreck of the Saucy Sal, splintering in a fair old tempest, was watched with a tangible mixture of delight and despair. How very important it seemed to us that Dick, Alice, Tommy the Cat and Sarah the Cook were safely washed up on the shores of Morocco.

Pantomime at its best is a healing and regenerative phenomenon. It reminds yon of childhood in the living company of children, it underlines the preciousness of our humanity. Even the dread Krankies, that rather sinister Glaswegian husband and wife team who made their names on children's television hy recreating the Jimmy Clitheroe myth of the dwarfishly impertinent adult-schoolboy, are, I have to admit, a double blow for the positive in our existence.

They play the Captain and Mate, but remind an audience of their vaudevillian origins in a brilliant ventriloquial act that has nothing to do with the story. Otherwise I shall remember them, with Russel Lane (responsihle for the script, such as it is), sliding around in a leak-infested cabin hold, water squirting up trouser legs and down necks in a very funny development of the first act haunted bedroom scene.

Allen Blackburn's prodnction, with dismal sets from stock and a casual attitude to story line, is offensive to panto purists, and me, in having a would-be pop-singer male principal boy, Simon Bowman, a charmless Alice (Amanda Redington, raising quite the wrong sort of laugh, in my row at least, on the line "Five days out to see, and I miss Dick so much"), and a characterless Cat, Derek Holt.

On the credit side, we must count Maurice Thorogood as a vociferous, lime-drenched King Rat, the sweet little Alhambra Sunbeams and the tumbling acrobats, the Ben Karim Troupe, who suddenly materialise on the quayside.

Best of all is the Sarah of Christopher Biggins, a classic pantomime dame who is loud, brassy and fashion-conscious with a different plastic bag for each beautifully considered costume. The Biggins dame is a plump and neutral coquette with a tin giggle and a lasciviously ambitious eye on such various showbiz icons as Bonnie Langford, Sally Bowles, Joan Collins and Edna Everage. This is a potentially great performance deserving of a better script and a proper setting. Meanwhile, it is well worth catching in Bradford until February 18.

Michael Coveney

Puss in Boots

CIVIC THEATRE, HALIFAX

Seemingly undaunted by the prospect of a courtroom brush with the Inland Revenue this year, Ken Dodd is perfecting his relaxed attitude to worldly goods as Idle Jack in *Puss in Boots* at the Civic Theatre, Halifax.

"Money is no object," someone declares in a gambling scene, and the great Dodd bats straight down the centre aisle with a careless chuckle and "I must remember that line." In the kitchen, he is embroiled with the wonderful Northern dame of Joe Black in the stock routine, never played better in my experience, of the stick-up sausages and lumpy dumplings. Is he kneading the dough? "About one million quid," cracks the indomitable Squire of Knotty Ash.

I have no need to rehearse again my fanatical devotion to Ken Dodd. He is simply our greatest vaudevillian. His existence, whatever problems attend it, is really nowhere except centre stage in a follow spot brandishing his tickling stick.

Even waxing sentimental when he sings the statutory "Tears," "Happiness" or, with his self-replicating dummy, "Sonny Boy," he is a star of unequalled magnetism, a rabbit-toothed, shock-haired, ageless and indefatigable Lord of Misrule.

Ken Dodd: centre stage

Dodd does not really excel in pantomime. It all gets in the way of what is Surreal, torrential and cumulative in his act. *Puss in Boots* is rarely done these days and, like another Dodd vehicle, *Sinbad the Sailor*, could stand a full-scale traditional revival. But the Halifax Civic has supplied excellent sets with accurate and well-executed wild flower representations, a crowd of lively Diddymen, a principal boy, Suzanns Kaye, with thighs of monumental fleshiness, and a pair of brokers' men, the Cox Brothers, of ingratiating energy. The story, however, is a mess, and Sybie Jones's statuesque, masked Puss a figure of unwonted, and unwanted, shadowiness.

Still, with Dodd at the helm, Halifax is a far cheerier place this Christmas. And the *town centre*, with a *magnificent* new public library and a nascent glass bus station, is imaginatively absorbing fine new architecture into its ontstanding industrial, Georgian and Victorian heritage.

"From Hull, Hell and Halifax, may the good Lord preserve us" has long since become a superfluous motto. With Ken Dodd as a riotous cheerleader until January 21, it can safely be declared defunct.

Michael Coveney

Jack and the Beanstalk

THEATRE ROYAL AND OPERA HOUSE, WAKEFIELD

Of all the rescue operations of Victorian theatres in recent years, that of the Theatre Royal and Opera House in Wakefield must count as the most spsctacular and revelatory.

A visit to *Jack and the Beanstalk*, the third pantomime since the re-opening in 1986, completed my tour of the West Yorkshire jollifications.

The beantifully decorated auditorium (seating for 520 in stalls, circle and gallery) is of ideally intimate panto proportions. And the pleasant homeliness of the entertainment was infectiously sustained by a bevy of little dancing girls, a magnificent ogre, Daisy the Cow, Duggie Brown as Dame Durden, and Adrienne Posta as a robustly constructed, generously thigh-displaying, blonde and strong-singing Jack.

My chief complaint, as at Bradford and Halifax, is that the story is insufficiently respected. In the second act we are in the Giant's cloudland, hnt scene changes are still made behind a cloth representing a road back to the village. Jack omits to seize the hen in the giant's lair. The ascent of the beanstalk is feeble. And one day I shall launch a major investigation into the flattening out of various distinct panto legends into a *soft*, mythical mush.

The theatre itself is an 1894 gem by Frank Matcham, an example of his early style and similar in scale to the Lyric, Hammersmith, and the Everyman, Cheltenham. It became a cinema in 1954 (after seven years of closure), a bingo hall in 1966. Its reclamation after the formation of a Trust in 1981 is one of the most important theatrical adventures of the decade, and a source of much justifiable local pride. Oh yes it is!

A final seasonal reflection. Perish the thought that the delightful Miss Posta should have to miss a performance through illness or thigh strain. Bnt if she did, would her understudy be known as the Adrienne Impostor? (That's enough pantomime for this year, Ed).

Michael Coveney

ARTS GUIDE

December 30-January 5

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).

The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (638 8891).

Richard II (Phoenix). Derek Jacobi in top form - petulant, funny, mellifluous - is ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with creased tights, wimples, trumpets and Robert Eddison as John of Gaunt (836 2294, CC 240 9661).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).

The Shaughraun (Olivier). Recommended treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Jan 5-10, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's Master and Margarita. Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: *the skaters do not have* to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Tokyo

Kabuki this month celebrates the art of the Onnagata (female impersonator). At the National Theatre, 71-year-old Living National Treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagi (The Disputed Sucession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Meanwhile, the 4.30pm programme at Kabuki-za (541 3131) features Oseme Hissmatsu, with 35-year-old Tamasaburo Bando, who is regarded by his large following among young Japanese girls as a paragon of grace and femininity. Both theatres have excellent earphone guides in English and comprehensive English programmes.

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance while e narrator at the side of the stage unfolds the story to a musical accompaniment. Evening performance at 5pm (plus 12 noon at weekends): Chushingura, the famous story of the 47 loyal retainers. Matinee performance at 11am and 2pm (weekdays only). (265 7411).

The Tempest (Imperial Theatre). Directed by the prolific and ever-inventive Yukio Ninagawa, with music by Uzaki Ryudo. This visually enthralling production was seen at this year's Edinburgh Festival and transposes the action to Sado, Japan's own island of exile and mystery. Stylistically it draws on elements from the Noh theatre. (201 7777).

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Lazarus

SADLER'S WELLS

Amid the nnappealing Christmas presents on the dance scene — the Royal Ballet's *Cinderella*; Festival Ballet's *Nutcracker* — a gift worth having was to be found in Rosebery Avenue. In the final programme of its season last week Sadler's Wells Royal Ballet revived Geoffrey Cauley's *Lazarus*. Since he started making ballets in the late 1960s — *Lazarus* was his second — Cauley's work has been too little known in this country. In his early works he evolved a style that was reflective, clear in texture, and adventurous in theme. Then he went to work in Italy, and apart from a few later pieces for British companies, his ballets were not seen here. The revival of *Lazarus* suggests the extent of our loss.

Owing something to Nicos Kazantzakis' *The Last Temptation of Christ*, the ballet is placed in the mind of Christ as he contemplates the implications of raising Lazarus from the dead. What Cauley sets out to study, and reveals in choreography reverberant with telling images, is the idea of a conflict between Christ's manhood and His divinity. This theme is set against Lazarus' reluctance to return to life. Thus Lazarus cowers inside his tomb as a child might shelter within a womb; the struggle between flesh and spirit is exteriorised in Christ's encounter with Mary Magdalene; tensions with orthodox Jndaism are seen in the presence of Caiaphas and two rabbis.

Cauley's movement language, owing not a little to the Nijinska of *Les Noces*, is direct, potent, allusively spare. The opening pose of Christ, His disciples, Lazarus' family, the priests, grouped round the body of Lazarus, might be taken from a painting by Stanley Spencer. There is the same intermingling of the archaic and the contemporary that we see in Spencer's religious work, the same sure hand in revealing drama. Grandly designed by Philip Prowse, the stage is a white-hung box in which light *floods on white-clad figures*, with the three women and the rabbis in black. The effect is ritualistic, reality heightened, emotion reduced to an essence. Performances by SWRB's artists are very fine, from Nicholas Millington's agonised Christ with Joseph Cipolla's saturnine Judas, to the anger of David Morse's Lazarus and the simplicity of Galina Samsova's Mary.

The score is Bloch's *A Voice in the Wilderness*, admirably played by the 'cellist James Potter and the SWRB orchestra under Ormsby Wilkins. In a year when several new ballets have been trumpery, *Lazarus* is restored to us as a serious and memorable work of art.

Clement Crisp

EN ESPAÑA SOMOS ESPAÑOLES.
IN DEUTSCHLAND SIND WIR DEUTSCHE.
IN AUSTRALIA, WE ARE AUSTRALIAN.
日本では､日本人。
IN CANADA, WE ARE CANADIAN.
IN NEDERLAND ZIJN WE NEDERLANDS.
IN ENGLAND, WE ARE ENGLISH.
IN DER SCHWEIZ SIND WIR SCHWEIZER.
在香港我們是中國人。
IN AMERICA, WE ARE AMERICAN.
DI SINGAPURA KAMI IALAH ORANG SINGAPURA.
EN FRANCE, NOUS SOMMES FRANÇAIS.

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Wednesday January 4 1989

Lending to Gorbachev

MIKHAIL GORBACHEV has brought the Soviet Union to a turning point, and one of the questions now facing the West is how far it should go in helping him get round it. While the political consensus in the West has come out strongly in his favour, the issues are not always so clearcut for the commercial community, particularly Western banks which are likely to be asked to supply considerable amounts of finance to support his reforms.

Provided one assumes that modernisation of the Soviet economy and expansion of East-West trade will advance the cause of peace, the case for encouraging banks to meet Russia's financial requirements scarcely needs arguing. A freer, more market-oriented system deserves the support of the capitalists. Yet there is, ironically, considerable anxiety in the banking community about the prospect of expanding their lending to the Soviet Union, which stems from both political and commercial worries – but which is also healthy.

The political fears have partly to do with the continuing identification of the Soviet Union as a military and ideological foe, for which there is undoubtedly still a justification. Yet these sorts of concerns have not prevented bankers from advancing billions of dollars to the Soviet bloc in the past, and there is presumably less reason for them to stand in the way now.

Increased uncertainty

A more *compelling reason* for exercising prudence lies in the greater degree of uncertainty which Mr Gorbachev's reformist policies have injected into the outlook for his country. In the past, bankers have been able to overcome their political scruples (and the *scanty information* available about the state of Soviet finances) with the comforting thought that the Soviet system was enormously stable and that the Russians had not missed a single debt repayment since the revolution. Now that certainty has been replaced by a requirement for more demanding political judgments about Mr Gorbachev's security of tenure, the likelihood of his reforms bringing prosperity or chaos – and the desirability of doing business with him at all.

One effect of his reforms has been to break down the very monolith which ensured that political control remained in the Kremlin, and that the Soviet state always repaid its debts. The centralised, bureaucratic system which monitored and serviced the country's overseas borrowings is being decentralised, the banking system is fragmenting and borrowing authority is being dispersed lower down the chain of command. When similar developments occurred in China at the beginning of this decade, they resulted in massive overborrowing and forced Peking into a clumsy clampdown.

Complex judgments

The same process in Russia is also forcing bankers to make more complex judgments about the creditworthiness of individual ministries and enterprises and even particular republics, where previously they could rely on the imprimatur of the state. How can one judge in the great whirl of changes now going on whether an engineering plant in Estonia will be capable of repaying a loan in five years' time?

The Soviet Union itself could facilitate the flow of credit by being clearer about its own intentions and lifting the veil of secrecy which shrouds so much of its financial affairs. But the West also needs to be certain about the extent to which its financial support is to be political or commercial. This is not the moment for Western governments to start interfering with the commercial banks' decision-making in order to stimulate financial support for Mr Gorbachev; those pressures contributed to the Third World debt crisis ten years ago.

If bankers are displaying a degree of caution, that must be a good thing. Aside from the problems which invariably follow an excess of lending zeal, the banks could be in a position to impose a useful amount of discipline on the Gorbachev reforms. The Soviet economy will have to get used to the constraints of price, credit scrutiny and performance if the upheavals are to produce any lasting benefit.

Bleak future for Sri Lanka

AN ENCOURAGING number of troubled countries ranging from Afghanistan to Namibia has started the *New Year* optimistic that things may, at last, be getting better. Sri Lanka is sadly not one of them.

The Indian Ocean island, ravaged by years of racial violence, does begin 1989 with a new President and, theoretically, a chance to start afresh. Mr Ranasinghe Premadasa, the outgoing Prime Minister, took over from President Junius Jayawardene on Monday, having squeaked home for the ruling United National Party in last month's presidential election, a poll the conduct and outcome of which give very little cause for optimism.

The election had the lowest turnout (55 per cent) in the nine elections since 1947, voters being deterred through alienation or intimidation. Those that did vote divided fairly closely between the two main candidates, Mr Premadasa securing 50.4 per cent of the vote to defeat Mrs Sirimavo Bandaranaike, a former Prime Minister who leads the Sri Lanka Freedom Party. Turnout in the northern heartland of the minority Tamils was a derisory 15 per cent; in the south the revolutionary left-wing guerrillas of the JVP demanded an election boycott, using a ruthless and indiscriminate campaign of terror to keep voters away from the polls.

Model democracy

The tragedy of Sri Lanka is that it started independence in 1947 as a model of peaceful, post-colonial democracy, with full and free elections, a healthily expanding economy, a sophisticated institutional infrastructure, a high literacy rate and a huge potential for foreign exchange earnings from tourism.

Successive Prime Ministers and Presidents have pursued policies which have transformed the island into an ethnic battleground on the brink of economic ruin. But the biggest damage has occurred during the 11 years under President Jayawardene who switched the country to a presidential system of government. His most crucial error may have been to change the constitution in 1983, calling a referendum instead of a general election. This denied the various opposition groups the chance to test their views at the ballot box and prolonged his own tenure for a further six years.

The effect was to force two key elements of the opposition underground and both took up arms. The militant Tamils found increasing support for their violent campaign towards the creation of "Eelam", a separate Tamil state. Leftist members of the JVP party, mainly students, organised into a group of Marxist revolutionaries and took their armed struggle to the streets and, ultimately, to the heart of the capital, Colombo.

Treaty with India

The Sri Lankan armed and police forces proved incapable of containing either insurgency. Last year President Jayawardene gave up on the Tamil problem and signed a peace treaty with India, the Tamils' protector, enabling the Indians to send in a peace-keeping force which now numbers around 50,000 troops. The JVP, combining revolutionary aims with anti-Tamil Sinhalese nationalism, continues to hold the south of the island in a grip of terror.

Unfortunately Mr Premadasa, like Mrs Bandaranaike, vowed during the election campaign to send the Indian peace-keeping force home. He has also offered the JVP terrorists an olive branch, inviting them to return to the democratic fold and participate in next month's parliamentary elections if they renounce violence. If, as seems likely, they refuse, he has promised a ruthless campaign to root them out. *It might be better to concentrate* all efforts against the small but crippling band of Sinhalese terrorists and keep the Indian peace-keepers to look after the Tamils, at least for the time being, rather than risk further bloodshed in the Tamil north, a rift with India and the possible partition of the island.

Norbert Walter considers what the year may hold for the West German economy

Set fair, except for the jobless

In 1988, West Germany benefited from improvements in the political and economic climate worldwide as East-West tensions declined and supply-side policies pursued in a number of important economies finally took effect. However, domestic impulses played an important role too, including the fiscal stimulus of income tax cuts.

The worldwide investment boom in 1988 was very helpful to German exporters, who are oriented towards the production of capital goods. Some 60 per cent of German exports belong in this category. And this segment of exports is hardly price sensitive. Thus the dramatic appreciation of the D-Mark from 1985 to early 1988 did not cause too much trouble.

Will those favourable international and domestic conditions prevail throughout 1989?

First, one should remember that 1988 was an abnormal year. There was hardly any cold weather *during the* winter – construction particularly benefited from this – and there was an extra working day, compared to the previous year. Thus the growth rate of some 3¾ per cent should not be equated with the underlying trend. Growth of the order of 2¾ per cent is a better indication of an "undistorted" rate in 1988.

Second, fiscal policy will play a significantly different role in 1989 compared to 1988. While the income tax reduction in 1988 added the equivalent of 0.75 per cent of gross national product to domestic private demand, there will be a dampening of similar size in 1989 from higher excise taxes *and the introduction of withholding* tax. It would be a mistake to read too much into this shift, however: another round of income tax cuts is due in 1990, the equivalent of as much as 1.0 per cent of GNP. If it is true, as the permanent income hypothesis holds, that people plan their spending on the basis of their expected lifetime *income, a zig-zag fiscal policy should* have next to no impact on private consumption.

Experience suggests, however, that taxpayers do not entirely believe announcements of next year's policy; they prefer to react to what they find in their wallets. Thus the tax rises in 1989 will probably have a dampening effect on private consumption.

A third factor in 1989 that can be identified with near-certainty is the trend in negotiated wages. West German industry has a great number of long-term pay contracts, and most of them extend through the whole of 1989. At the last negotiations, many unions chose to bargain for reductions of the work week (which in practice turns out to mean longer holidays). Extra pay in 1989 will thus be rather low, amounting to a rise of no more than 2½ per cent. In real terms, there will be scarcely any rise in wages, since – partly because of higher excise taxes – consumer prices will increase at a rate of some 2¼ per cent.

Overall, an increase in total disposable income of the order of ¾ per cent is probable. A stronger rise would be necessary, however, to maintain the present growth rate of private consumption. Such an outcome would be possible only if the savings rate were to drop substantially. In view of almost unchanged interest rates and slightly higher unemployment, this seems to be out of reach.

A bit more difficult is the assessment of monetary policy. The Bundesbank overshot its monetary target in 1988 for the third year in a row. Most experts (inside and outside the central bank) argue that a continuation of this trend will soon trigger an acceleration of inflation.

The Bundesbank's rhetoric and the announcement of the new monetary target for 1989 might lead one to expect a more restrictive stance. But policy actions – and particularly the international environment – lead one to believe that the Bundesbank will continue to follow a relatively pragmatic policy, allowing M3, the broad money measure, to grow by around 6 per cent (M3) in 1989. (This estimate assumes the expected modest dampening of the world economy materialises and the D-Mark continues to trend upwards.) Such a policy would produce favourable borrowing conditions for investment and consumption in West Germany, and would avoid damage to the international adjustment process.

The potential threats to this forecast of Bundesbank policies are obvious. An oil price rise, louder calls for higher wage increases, a weaker D-Mark – all would trigger higher interest rates in Germany. Such a move, in turn, would force full members of the European Monetary System either to follow suit or accept even higher current account deficits. Similar considerations would affect the US. An international upward spiral of interest rates could abort the present recovery, now in its seventh year.

These traditional macroeconomic policy arguments are, of course, important influences on the German economy in 1989. But there are also more fundamental microeconomic conditions which might be quite favourable this year and later.

● Preparations for the unified European market after 1992 have already ignited a new dynamism in European business. Large scale corporate acquisitions and a quickening of the pace of investment are indicators of a new wave of entrepreneurial spirit that transcends national borders. EC firms are not the only ones affected. Those from other European countries, and from Japan, are trying to gain a foothold in the new European market before it develops, perhaps, into a fortress.

● The technological leap forward triggered by microelectronics is also contributing to growth. The spreading use of personal computers, the revolution in telecommunications which is transforming the media landscape, the emergence of new materials, the application of bio-technology to pharmaceutical industries and agriculture – all are factors keeping investment high and (at least as important) contributing to productivity growth.

● The growth both in numbers and inquality of West Germany's labour force in recent years improves the chances of exploiting the potential of the single market and the technological revolution. A great deal of effort has been out into educating the 1955-1970 baby boom, which has been absorbed into the labour market since the late 1970s. The number of apprentices and students has been extremely high. Many firms trained more young people than they actually needed. Thus, the youth unemployment rate was particularly low in West Germany. Now German business can reap the benefits from that investment effort in human capital.

These young people can enliven business by adding to its creativity – and to its efficiency. They are trained to use modern equipment and are often capable of speaking two foreign languages. Many of them have outgrown the zero-growth mentality of their older sihlings and are determined to pursue e modern and active life.

As well as this younger generation, German labour markets are revitalised by the immigration of ethnic Germans from Eastern Europe (including the Soviet Union). These groups help to reduce the regional and vocational mismatch in labour markets which for so long contributed to structural rigidities in the West German economy.

Many observers would agree that these factors improve and increase the supply of productive resources. Many of them, however, claim that it is depressed domestic demand that constitutes the most *significant* German problem. It is argued that the current account surplus, over 4 per cent of GNP in 1988 for the third year in a row, is evidence for thet.

This is too simple an argument. There will be a sustained upturn in private consumption in the early 1990s when immigrants and the young age groups *start to earn higher* incomes, triggering a spending spree on consumer durables such as cars and furniture and on housing. Furthermore, West Germany, a country "greying" more strongly than many other nations after the year 2000, has good reason to save and invest (at home and abroad) for its old age.

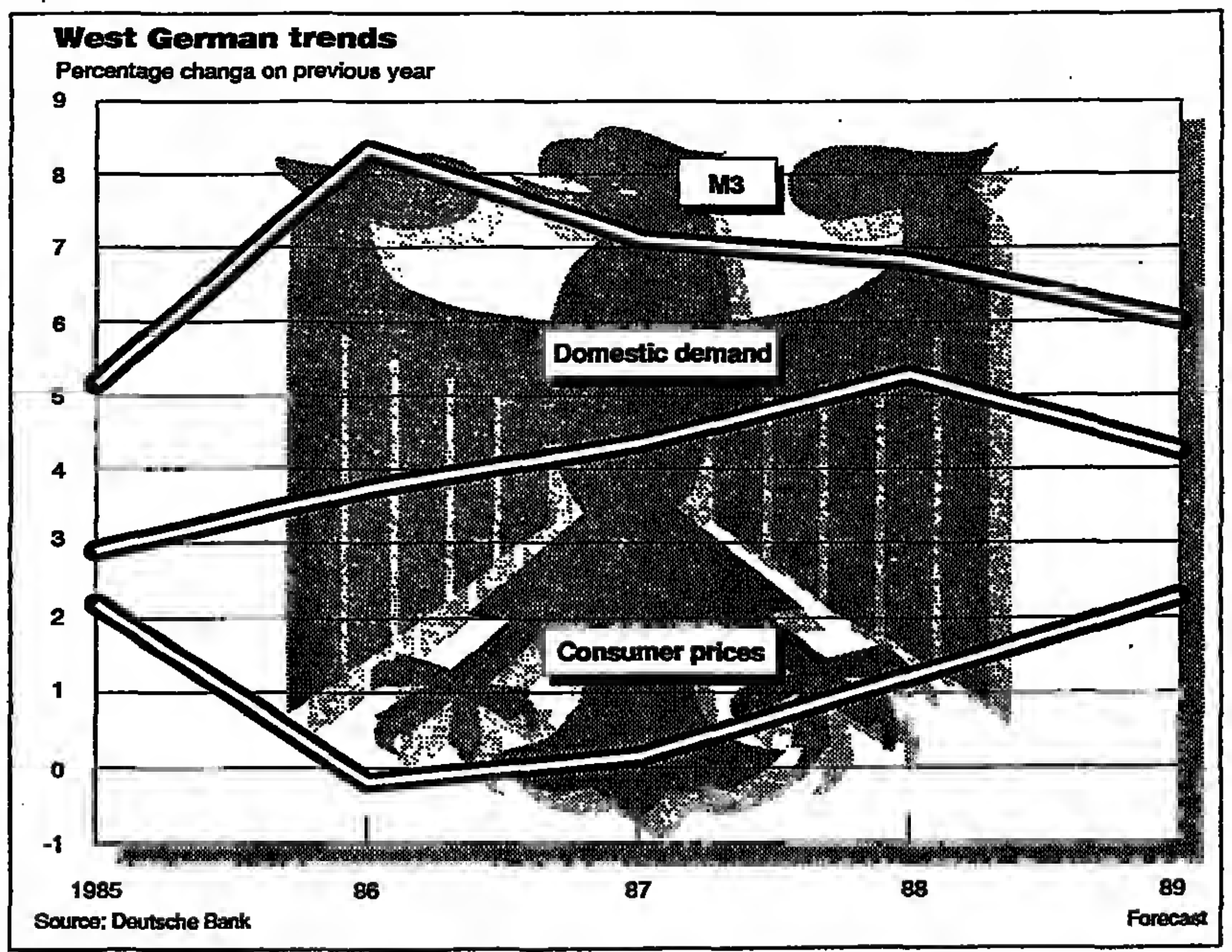
Thus a current account surplus for a number of years is as "natural" as a sustained trade deficit after the year 2000, when the country has aged. In the meantime, of course, an outflow of private capital serves to finance other countries' deficits. It is appropriate that countries within the EC which have to catch up – *for example, Spain* and Portugal – should receive part of that investment flow.

Tha question of the stability of exchange rates, particularly within the EMS, is relevant here. After all, inflation rates have been converging quite considerahly; so, more markedly, have unit labour costs. This is especially true among EMS countries. Thus, more often than before, current account disequilibria are identified as the only "fundamental" reason for exchange rate changes. Participants in financial markets in general and some experts in think tanks – mostly in Anglo-Saxon countries – claim that present disequilibria warrant substantial exchange rate corrections of the yen and the D-Mark to the dollar and within the EMS.

Such a view has some validity, since the current account deficits partly reflect overconsumption in the countries concerned. However, in so far as these disequilibria reflect perceived or real differences in yields on investment, they do not warrant exchange rate adjustments.

To sum up: the German economy will show some fiscal policy-induced weakness in 1989, which will be temporary. Investment will continue to be in healthy shape. Inflation will not cause problems, since the CPI increase will mainly be due to higher excise taxes. Employment will rise – hut not by enough, however, to reduce unemployment. Such a reduction will not be possible before 1990, when the economy rebounds and labour force growth slows sharply. Monetary policy – the most risky part of the forecast – will remain modestly expansionary, thus warding off stronger pressure for a revaluation of the D-Mark against the dollar and against EMS currencies.

Professor Walter is senior economist with Deutsche Bank



Source: Deutsche Bank

OUTLOOK 89

Forecast for West Germany in 1989

	1989 (% change on previous year)	1990
GNP (real)	2	3½
Domestic demand	2	3¾
Fixed capital formation	3½-4	6
Exports (goods & services)	4½	5½
Imports (goods & services)	4½	6½
Consumer prices	2-2½	1¼

OBSERVER

No rest for Cockfield

■ Lord Cockfield may be about to retire as the European Community's Commissioner in charge of the single market, but he made it clear at a valedictory press briefing in London yesterday that his critics in the Government have not heard the last of him.

He is to return to "active service" in the House of Lords, from which he has been technically on leave during the last four years. That has meant he has been able to use its library and even sit "on the steps of the throne" to listen to speeches, but not speak.

Now he will be able to speak up not so much on behalf of Brussels any longer but "to do whatever I can to ensure that trade and industry in our own country takes full advantage of the opportunities that are now opening up and that it meets the challenge."

If his performance yesterday is anything to go by, their Lordships, who may best remember him as a rather dull Trade Minister in the early days of the Thatcher government, are in for an interesting time. The droning voice is still the same but it belies an incisive wit.

Asked about the Brussels concept of reciprocity in financial services which has caused so much controversy in the City, he said the relevant clause in the Community's Second Banking Directive was copied almost verbatim out of the UK's own legislation "and this is why it is opposed by the UK."

The notion of a *protectionist* "fortress Europe" was one developed in the US, a country far more protectionist than Europe and one which was determined to criticise the 1992 ideal. Unfortunately it was such a clever phrase that the idea had taken on in Europe. "The more the US talks about fortress Europe, the more they get *people* in *Europe* saying: "That's a wonderful idea. We must have some of that.""

Easy times

■ A consolation for those struggling back to work is Morgan *Guaranty's World Holiday* and Time Guide - a *splendid* publication which contains all the days off that we can look forward to this year.

Those with most in store are the Brazilians who have no fewer than 29 official holidays, and the Vatican City State with 27 (though the Pope may not consider Epiphany, Good Friday and Christmas Day to be holidays).

Those with the grimmest outlook are the hardy Albanians who get only five days off. In fact all the communist countries do badly because they miss the religious holidays. The Muslim countries also have few official days of rest.

The English (as opposed to the Scots, Welsh and Irish), who have been much criticised for stringing out the Christmas break, are far from being the most holiday-prone. They get nine holidays, which is less than the US (11), Germany (13), Japan (16), France (17), and even the industrious Koreans (18).

Tied winners

■ Ties make good awards. This *fact has been rather belatedly* recognised by the Guild of British Tie Makers who are launching a tie which will be presented each year to a select group of great achievers.

Consultations with a number of tie experts (including, as one might suspect, Sir John Harvey-Jones, whose neckwear put ICI on the map), have shown that the colours should be Union Jack-style red, white and blue.

Derek Froomberg, the Guild's chairman, admits a lack of originality here. "But one has to consider that they are also the colours of the US, France, Holland, Iceland, Norway, Czechoslovakia, Panama, Thailand and Costa Rica."

For the record, the UK produces about 25m ties a year of which it exports about 6m, mainly to the US. Imports have about a quarter of the market, with the Italians in the lead.

"From the mortgage company are you? Actually I'm a bailiff too."

Ill-advised

■ "Nobody looks at old economic forecasts" wrote Alan Budd, economic adviser to Barclays Bank, in the space above here yesterday. I have.

1988 will go down as one of the very bad years for forecasters, at least insofar as the British economy was concerned.

All the major forecasts carried by the FT this time last year were wide of the mark in several respects: they underestimated the rate of GDP growth, and therefore failed to foresee the rise in inflation and interest rates. The error was *not merely one* of *degree*. The forecasts gave a largely false scenario and were of little help.

It'a a lonely business, foretelling the future. Ultimately, everyone must make their own business decisions. But is it *not* time that forecasters' credi*bility was adjusted* in *line with* results?

Adapting

■ At last, UK clearing banks are actually providing their customers with what they want: longer opening hours and interest on their current accounts. This change has thrust new types of banking executives to the fore, like Kevin Gavaghan, the 39-year-old marketing director of Midland Bank.

Gavaghan, who helped unveil Midland's new current accounts yesterday, has never made a loan in his life. Most of his career has been in retailing, starting with Burton and moving on to Marks and Spencer. He did a spell at Thomas Cook, which is part of the Midland Group, before moving to his present position.

He claims his department resembles Procter and Gamble rather than a clearing bank. Market research, product development, communication - these, rather than loans and cheques, are his stock in trade.

But how does this go down with his banking colleagues? Being orderly people, Gavaghan says, bankers will accept something provided they are shown the evidence for it. "And if you are scientific about it, the evidence is there.

"I can be as outrageous as I like. They may say 'Hang on a second. Why don't we try it this way?' But instead of stopping you, they try to fit in what you're doing".

Oh well,
YOU CAN BE SURE OF SHELL

Hirohiko Okumura looks at prospects for the Japanese economy

The mixture as before

The Japanese economy, led by consumer spending and plant and equipment investment, should continue its favourable growth in 1989. The real growth rate of gross national product should reach 4.6 per cent in the fiscal year beginning April 1989, a slight decline from 5.0 per cent in the previous 12 months. Also, consumer prices should rise by only 1.2 per cent in the same period (compared with 0.7 per cent in the preceding 12 months).

At the same time, brakes will be applied to the US economy as a slowdown without recession is sought, so the GNP growth rate there should drop to 2.8 per cent. The three main European economies – West Germany, France and the UK – should also see lower growth in the range of 2-3 per cent. The weighted average rate of growth for these four countries is thus forecast to be 2.7 per cent, down from 3.8 per cent in 1988.

OUTLOOK 89

In the fiscal year starting in April 1989, Japan's trade surplus is expected to be $91bn and the current account surplus is expected to be $73bn, little changed from the preceding 12 months. For this reason, if growth is weaker than expected in the US and major European countries and exchange rate instability causes international capital flows to stagnate, trade friction with Japan may intensify.

Though there is abundant Japanese capital ready for investment overseas, there is some hesitation on the part of private investors about investing in financial assets, because of the instability of foreign exchange rates. Japanese institutions' portfolio investment in foreign securities has passed its initial stage. Over the past two to three years, the relative weight of foreign securities in the assets of Japanese financial institutions has increased sharply. The percentage of foreign securities in assets of all Japan's financial institutions (excluding investment trusts) grew from 0.6 per cent at the end of 1980 to 4.0 per cent at the end of June 1988.

With this rise in the relative weighting of foreign securities in their portfolios, some institutional investors have begun to pay more attention to foreign exchange risk. In an environment of volatile exchange rate movement, investors find it difficult to predict future exchange rate movements. They prefer not to make investments in external assets, but rather to stay on the sidelines. Thus, if some news triggers an instability in exchange rates, Japanese net investments in foreign securities contract; if exchange rates are stabilised, then net investment turns upward.

Such movements have been occurring since March 1987. The uncertainty prevailing in the foreign exchange market can be calmed, for the time being, by a well-co-ordinated policy on the part of governments – one which gives an unequivocal message of determination to solve the problem. But a more fundamental solution boils down to the reduction of the US trade deficit, and ultimately, to the strengthening of US international competitiveness. Above all, this will depend on the ability of Japan, the US and Europe to maintain stability in the foreign exchange market in the first half of the year through policy co-ordination and the direction of the US budget and external deficits in the second half.

The 1980s have witnessed the widening of the US trade deficit, particularly with Japan and the Asian newly industrialising economies (NIEs). What sort of connections exist in trade between these three regions, and what sort of policies are necessary to reduce the US trade deficit?

US imports from both Japan and the Asian NIEs have tended to grow almost four times as fast as national income (when real exchange rates are held constant). By contrast, imports into Japan from the US have grown about half as fast as Japanese national income; those into the Asian NIEs from the US have grown at roughly the same rate as those economies' national income.

These differences explain both the widening trade gap across the Pacific Ocean and why it is hard to narrow the US trade deficit without reducing US economic growth. On the other hand, Japanese imports from the Asian NIEs have been growing more than one and a half times as fast as national income, a remarkably fast rate. Strong economic growth in Japan will result, as now, in a rapid increase of imports from the NIEs.

Meanwhile, both US imports from Japan and Japanese imports from the US are relatively insensitive to exchange rate changes. As a result, an appreciation of the yen would only have marginal effects in reducing the immense trade gap between the US and Japan.

In view of the size of the income and exchange-rate effects, Japanese imports from the US cannot be expected to jump, but those from the Asian NIEs should rise if the yen and the Japanese economy remain strong. On the other hand, an appreciation of the Asian NIEs' currencies should boost their imports from the US.

Therefore, the right approach to correcting the trade imbalances means maintaining a differential between the growth rates of Japan and the US, ensuring that the yen and the NIEs' currencies appreciate against the dollar and shifting the flow of exports from the US to the NIEs and from the NIEs to Japan. The trends last year followed these lines, but revision of US macro-economic policy is crucial for sustaining them.

Forecast for Japan in 1989

	1989*	1988*
Real GNP	4.6	5.0
Domestic demand	5.4	6.9
Consumer prices	1.2	0.7
Trade surplus($bn)	91	94

* % change on prev year

Given this situation, Japan's economic policies should in general stay the same as at present. Monetary and fiscal policies should be used to maintain the current economic climate. The official discount rate is expected to stay at the current 2.5 per cent level, and no new stimulative fiscal policies are forecast. The yen-dollar rate in the 12 months beginning in April 1989 is expected to average Y120, down from Y126 in the preceding year; the expected range is Y110-Y130.

Outlook for the Japanese economy in the fiscal year starting in April 1989 is this:

● The vigorous momentum which the Japanese economy gathered in 1987-88 is expected to continue into the first half of 1989. The income tax cuts implemented in the fiscal year just ending, the stronger yen-induced improvement in the nation's terms of trade, and the excess of savings over investment will, taken together, bolster domestic demand, helping it to grow by 5.4 per cent in real terms in the 12 months starting in April 1989, following 6.9 per cent growth the year before.

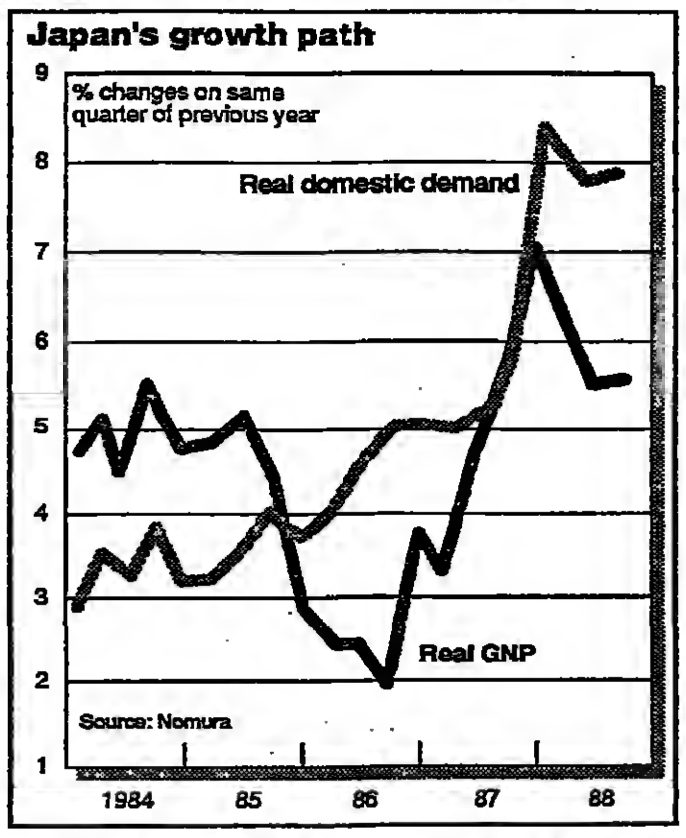
● The volume of foreign demand will shrink for the fourth year in a row, pulling down GNP by 0.9 per cent. However, growth in domestic demand will more than offset the fall in foreign demand. Overall, the real economy will grow by 4.6 per cent in the 12 months beginning in April 1989, following on from a slightly more rapid rate of 5.0 per cent in the preceding 12 months.

● Prices will remain calm, thanks largely to a strong yen and cheaper oil prices. The large disparity in prices between Japan and other countries brought about by a sharply higher yen and a variety of government regulations will disappear over the medium run. During this period, the sharp increase in imports may contribute to the stabilisation of prices as Japanese domestic producers lower prices to remain competitive. And the Japanese economy should effectively use lower prices to add further momentum to domestic demand-led economic growth.

● Helped by economic restructuring at home and abroad and internationally co-ordinated currency realignment, Japan's imports will continue to grow faster than exports, contributing to a reduction of its trade surplus. Japan's trade surplus is expected to decrease from $94bn in the fiscal year ending in March 1989 to $91bn in the fiscal year starting in April.

The author is senior economist of NRI & NCC Co Ltd, the former Nomura Research Institute, based in Tokyo.

Japan's growth path



UK merger policy

The trouble with bid-proof companies

By Allen Sykes

Nearly all major European and Japanese companies are bid-proof, as are a third of British quoted companies (measured by market capitalisation). The UK Government's merger policy should be refined to cover cases of bids from bid-proof companies, so they can be referred to the Monopolies and Mergers Commission on grounds of public interest. Present policy enlarges the area of the economy controlled by companies immune from market competition since, if the bid is successful, the bidder for company becomes as bid-proof as the bidder.

The starting point should be full acceptance of the Government's general monopolies policy which ensures the efficient use of assets by exposing companies to the threat of takeovers. The principal issue here is whether immunity from the takeover sanction will result in bid-proof companies operating acquired companies inefficiently. Being bid-proof permits but does not prove inefficiency. Other factors can replace the takeover as the ultimate sanction against inadequate management. An obvious factor is the existence of sustained and strong competition in the bidder and bid-for company's product markets.

Historically, most companies outside the English speaking world have been primarily financed by debt from banks and institutions which often also hold some equity. This has forced them to be active shareholders to protect their loans. Lenders have the power to withdraw their invested capital, a legal right to a return, and command over a large block of capital, making them a formidable restraint on managerial inefficiency. Most European companies may be bid-proof, but few of their managements can be complacent.

This contrasts with the mainly equity-financed companies in Britain, where shareholders have no legal right to a return on capital, no practical power of demanding repayment, and no common policy to improve inadequate management. Takeover creates a single shareholder and often remains the only viable sanction against serious managerial inefficiency. The Government is therefore right not to interfere with the takeover sanction lightly.

The public interest problem posed by the bid-proof company is that if it is not operating in highly competitive markets, and is predominantly equity financed, there remains no effective sanction against managerial inefficiency. This should now be a major issue for merger policy.

The table shows the categories of bid-proof companies in the UK. The largest is those bid-proof by size, which is a matter of degree and may change with time. The criterion used here is a market capitalisation in excess of £5bn – nearly twice the size of any successful UK bid to date. Many such companies could expect protection on competitive or national interest grounds.

The second major category (9.4 per cent) is that of privatised major public utilities which are largely bid-proof both by size and by Government fiat. In total, when privatisation is complete, bid-proof companies will be over a third of the FT-Actuaries All-Share Index. A large proportion are also largely immune from serious competition.

Bid-proof companies as % of FT-Actuaries All-Share Index

Size alone	13.6
Privatised utilities*	9.4
Golden shares	2.2
Strategic (apart from size)	0.4
Other (Legal devices or dominant sh/holder†)	9.7
Total	35.3

* Includes electricity, water, and Government stakes in British Telecom
† 50% or more

A basic principle of merger policy should be to enlarge wherever possible the area of the market exposed to the takeover sanction. This would imply discouraging, if not making illegal, extensions of bid-proofing where these are based on legal measures, and removing Government-imposed restrictions. Such a policy would be consistent with the Government's policy of exposing companies more fully to takeovers as a spur to managerial efficiency.

Efficient implementation of this policy would require automatic consideration by the Office of Fair Trading (OFT) of bids by companies which have a capitalisation in excess of say £1bn where there is *prima facie* evidence that they are bid-proof, and either predominantly engaged in monopolistic operations, or operating inefficiently. The OFT would then decide whether there was sufficient *prima facie* evidence, despite the bid-proof character of the bidder, that the acquired company would be operated to an acceptable standard of efficiency in the long-term. Efficiency should be measured in purely financial terms – such as an acceptable return on capital not derived from monopolistic activities. If the OFT were not fully satisfied by the evidence, referral to the Monopolies Commission should take place.

This policy would seldom involve referral of EC bids to the Monopolies Commission because their lenders impose high standards of efficiency and many companies are in highly competitive markets. The proposed policy would involve referral of bids from the newly privatised utilities. This policy could be made effective immediately, since the 1973 Act and the new proposed legislation admits referral on broad of public interest grounds.

If these modest developments of the Government's existing merger guidelines are accepted, bids from inefficient bid-proof companies would be prevented without interfering with the majority of bids or risking foreign retaliation. This extension is necessary. Without it, the Government may be forced to condone UK companies adopting bid-proofing devices.

The takeover sanction is a major contributor to corporate efficiency. The Government should not permit it to be curtailed without full and sufficient reason. 35 per cent of the market immune from the takeover sanction is already more than enough.

The author is a managing director of Consolidated Gold Fields which is fighting a bid from Minorco.

LETTERS

EC merger controls preferred

From Mr Stephen Wilks.

Sir, It is curious to see Tom Sharpe (EC merger control, December 21) attach so little importance to the logic of European-level control of European-level mergers – and sad to see him reproduce tired clichés about the power of the European Commission.

He dislikes the criteria of "effective competition" contained in the draft merger regulation, but the real issue is one of principle. The British are reluctant to give up the "public interest" criterion of current legislation in favour of the EC's effective competition criteria.

As we have seen from 1988's bizarre manoeuvrings, the British public interest principle can be far more subjective and arbitrary than the competition principle, but it is the internal safeguards that exist within the Commission to which attention should be drawn.

It is too easy and too glib to suggest that the Commission will have "absolute power" and to imply that it will be misused. The Competition Directorate, DG IV, is staffed with competent lawyers, and administered efficiently and with propriety. On the whole we do not impugn the integrity of the Bank of England or the Office of Fair Trading: why should we regard the Commission as potentially malevolent?

The trouble with such conspiratorial suspicions is in finding any motive for officials to deploy power arbitrarily, especially given the procedural safeguards.

A *rapporteur* dealing with a case will be scrupulously supervised by (at least) two *chefs*, one *directeur*, the commissioner's *cabinet* and the *cabinets* of every other commissioner. A decision will be dissected by the legal service, and no case will go forward unless officials are confident that it will be supported by the European Court, whose control is hence pre-emptive rather than *post hoc*.

Contrast this with the unpredictability, the secrecy, the politicisation, the ambiguity of British machinery. If the UK had the case law and the accountability of the Commission our own practices would be more defensible. As it stands, for the control of big European mergers give me the Commission every time.

Stephen Wilks,
Institute of Public Administration and Management,
University of Liverpool

'My kind of Europe'

From Mr Robert Sheaf.

Sir, The claim of the Financial Times to be a truly European newspaper was reinforced by your article (28 December) by the distinguished foreign editor of Suddeutsche Zeitung. May such journalistic exchanges flourish.

More's the pity, then, that Mr Joffe should seek to resurrect the ghost of Charles de Gaulle, and an anachronistic view of the European nation-state. Indeed, his reference to "the iron hand of leviathan, alias national sovereignty" goes back even farther, glancing back to Thomas Hobbes, when 17th century Europe could somewhat better afford the luxury of division and exaggerated national pride.

Mr Joffe gave credit to Mrs Thatcher for asking: what kind of Europe do we want? As both an Englishman and a European I would answer: the kind of Europe looked for by Mr Helmut Kohl – pragmatic, economically integrated, tolerant; in which the grip of the "iron hand of leviathan" is steadily loosened and replaced by a patient search for consensus between the separate nations.

Robert Sheaf,
Waveney House,
Radley Road,
Abingdon, Oxfordshire

Market policies could apply to rentals

From Mr John Lewis.

Sir, Social ills are nearly always the result of unnecessary distortions in the social fabric, and these are nearly always the result of legislation.

John Lloyd reports on "The Children of the London Streets" (December 17): a comparatively new phenomenon, and the almost direct result of "social" legislation which makes owners of dwellings small and large disinclined to let, for fear tenants will claim tenure or resist rent increases.

In the 1950s there was no problem for young people in finding accommodation in all price ranges. They had to accept the fact that they could be evicted at a week's notice, but a week was quite long enough to find somewhere else.

Of course the old and sick must be protected, but even for them things would be easier if a free market existed in rented property. "Street" people are a blot which a consistent application of Mrs Thatcher's market policies would soon remove.

John Lewis,
Schloss-Str 25a,
5060 Bensberg, West Germany

Need for the 'conventional' in economic strategy

From Mr John Williamson and Mr Marcus Miller.

Sir, For almost a decade Samuel Brittan has tirelessly argued the case for targeting nominal GDP (gross domestic product). His arguments were so persuasive that we followed his lead when we needed to incorporate a sensible and relatively non-controversial formula for the desirable rate of demand expansion into our "blueprint" for international policy co-ordination.

The one-nation version of our proposals is precisely what he now labels the "conventional assignment" (December 15). That is, use monetary policy to target the exchange rate, where that target is chosen to secure some medium-term objective for the balance of payments. And use fiscal policy to target the growth of nominal GDP, or a close relative, with a view to controlling inflation.

True, there was a significant difference in the form of nominal income targeting we preferred. While Mr Brittan favoured a constant target rate of demand growth, we prefer to vary the target – and thus the budget surplus or deficit – to try to ensure that demand grows at a rate that makes the most of supply capacity without overheating the economy.

(This is perfectly consistent with recognition that in the longer run output and employment are mainly determined by the supply side and thus influenced more by the structure and level of taxation and public expenditure than by the budget surplus or deficit.)

But such nuances pale into insignificance in comparison to his current rejection of the concept of nominal GDP targeting at the national level.

His suggested alternative proposes to use the exchange rate (still, sensibly, to be managed by monetary policy), without any support from fiscal policy, to control inflation.

This is an old idea but it is not a good one. When it works, it controls inflation by exposing the tradable goods industries to over-valuation: this tends to stop investment as well as inflation.

But in fact its track record is poor (think of Britain in the 1960s, or the Southern Cone in the early 1980s, as classic cases in point): more often than not, governments eventually lose their nerve when they see the consequences for the real economy, and end up by intensifying rather than eliminating inflation.

The other leg of his proposed assignment involves using fiscal policy to secure long-term budget balance with a view to avoiding a debt trap. To constrain fiscal policy to avoid a long term build-up of the burden of debt is sensible enough. But to use that as an argument for avoiding an *increase* in the budget surplus needed to counteract a collapse in private savings is a lapse of logic.

One of Keynes's less endearing characteristics was his tendency to deride an idea by labelling it conventional. Instead of apeing this tradition, Samuel Brittan would have done better to recognise that a steadfast commitment to the conventional strategy over the past year is exactly what was needed to translate the potentiality of steady catch-up growth into reality. He would not then have risked being deemed an accessory to aborting the recovery, as is likely to result from combating inflation through over-valuation.

John Williamson,
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Marcus Miller,
University of Warwick

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East Asia continues to buck world economic trends

By Robin Pauley, Asia Editor, in London

A series of articles by Financial Times correspondents begins today to examine the reasons for the performance of the small East Asian economies, the influence of Japan and the likelihood of sustaining the record of success compared with the economies of Europe and the US.

The world economy has just completed its sixth year of recovery, growing by about 4 per cent with virtually all leading economies outperforming predictions during 1988.

The US, for all its problems, notched up 4¼ per cent growth and West Germany, long damned as Europe's most sluggish performer, recorded the same figure, largely because of strong demand for its capital goods.

But during this prolonged recovery phase, growth of 3 or 4 per cent has come to be regarded as excellent and has rarely been sustained for more than a couple of years at a time. Reflecting this pattern growth predictions are again being lowered for 1989 when another downturn is predicted.

This world cycle of gentle ups and downs with most countries avoiding recession but few of the major economies (except Japan which defies everything and everybody else) being able to sustain high growth without overheating is not reflected in East Asia.

The small countries in this region have defied the world trend. Many have had major problems; South Korea almost drowned in its sea of debt, Singapore and Malaysia suffered severe recession; the Philippines had two years of negative growth at the end of the Marcos years.

But these small countries have generally beaten off the problems quickly and returned to a norm of high sustained growth. Singapore, Thailand and South Korea all had double-digit growth in 1987 and are expected to have twice the OECD growth rate in 1989.

The series will look at the four Newly Industrialised Countries or "tigers" – Singapore, Hong Kong, South Korea, and Taiwan – together with two countries sharpening their economic claws on the way to NIC status, Thailand and Malaysia.

The Philippines, an economy which is performing, against the odds, in line with its regional neighbours, will also feature as will Indonesia, a huge country which has largely failed to match the East Asian successes, performing like a more traditional – and more troubled – economy.

The first in the series appears below; subsequent articles will appear on the overseas pages.

Singapore grows towards maturity

Roger Matthews examines the island state's Pacific Rim opportunities

Singapore has proved to be an extraordinarily precocious economic child, growing more swiftly from Pampers to puberty than any of its neighbours, and on to a position of relative maturity from where today it is already anticipating the challenges of a *rapidly ageing population.*

Its small size, although often cited as a handicap, has also been an asset. It has given Singapore a flexibility to react to the world around it with a speed and efficacy denied to larger more cumbersome economies. It is also run on corporate lines with ministers acting as executive directors, largely nntroubled by ideological issues or domestic political infighting. They are chosen less for their electoral appeal than their capacity to manage a department effectively.

So, while Singapore may sometimes appear a rather sterile environment with minimal scope for individuality or entrepreneurship, its material achievements are unquestionable. Growth in 1988 topped 10 per cent after 8.8 per cent in 1987, s remarkable achievement because only three years ago it registered its most serious recession since full independence in 1965.

At the end of 1987 Singapore was in 17th place in the world in terms of per capita GNP, and ahead of five members of the European Community. Within this decade Singapore's per capita GNP is likely to have doubled. In 1987 it was measured at close to $8,000, just behind that of Hong Kong and New Zealand, with Italy and the UK next in line to be overtaken.

The pace is, however, certain to slow and future gains are likely to be more hard won. Singapore's economic managers believe that 4-6 per cent annually is a more realistically sustainable target and would provide better protection against the inevitable cycles in world growth. But given Singapore's position within the dynamic Pacific Rim the opportunities will also be considerable.

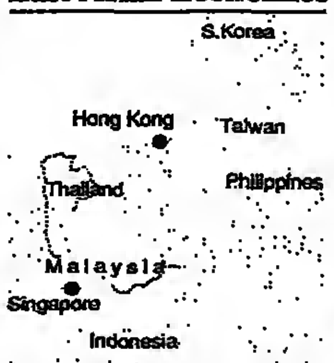
With a workforce limited to about 1.1m and the current dependence on foreign labour having reached a level at which the Government wishes to impose an unofficial ceiling, a large part of future gains will have to come from productivity increases and from attracting higher value-added service and manufacturing industries.

The past five years, for example, have seen an extraordinary rise in the number of computer-related industries with individual American companies coming from nowhere to become among the largest employers of labour on the island.

Banking and financial services have also expanded impressively with a strong emphasis now on information technology. More efforts and funds are being directed to research and development, and more multinational companies are being encouraged to set np regional headquarters on the island.

All this has helped the economy to broaden and mature. Far less emphasis is now placed on construction which was the motor of the pre-1985 boom but which now is the only sector still lagging. The key to this success, as ministers never weary of pointing out, is competitiveness. Having lost its regional edge in the middle of the decade, Singapore is determined not to commit the same error.

East Asian Economies



Thus it slashed employers' costs in the wake of 1985 to the point that now, despite a sharp increase in economic activity and a tight labour market, it is still highly competitive in terms of unit labour costs compared to countries such as South Korea and Taiwan. The key to maintaining this position is a system of flexible wages and bonuses which relate directly to the performance of both country and company and is being relentlessly urged on a not always enthusiastic private sector.

This, the Government believes, will better protect jobs should the US economy slide into recession. Although the US has recently been toppled by Japan in terms of new investment in the island, it remains the largest single foreign investor and is still by far Singapore's most important trading partner.

Total exports to the US in 1987 totalled $7.5bn, an increase of nearly 30 per cent. Exports to Japan rose by a similar amount, after a fall of 11 per cent the previous year, but still amounted to only a third of the US figure. While this proportion may narrow in the next few years, there is little doubt that for the foreseeable future the performance of the US economy and its trading policies will remain of critical importance to Singapore.

However, regional opportunities are also increasing, particularly for high technology and service industries. One illustration offered by a senior minister was that while Bangkok is growing in importance as a regional air hnb, perhaps at some local cost, if an aircraft has to ditch it will try to struggle to Singapore.

In other words, Singapore aims increasingly to provide the more sophisticated services which other less technologically advanced countries cannot. It already has a significant lead and is unlikely to relinquish it.

This, almost certainly, is a more realistic approach to the issue of regional co-operation than any immediate attempts to set up a trading bloc. The six-member Association of South East Asian Nations may eventually become a trading group of international importance but if ever achieved it will be have been done more at the pace of a tortoise than a hare. In any event, at least for Singapore, the most committed free-trader of them all, almost any progress will bring more gains than losses.

More immediately the Government has announced measures which during this year it hopes will dampen the demand for foreign labour and thereby stimulate employers into introdncing schemes to improve prodnctivity in order to maintain profitability.

Looking 10 years down the road, the need to check the proportion of foreign labour, currently about 20 per cent in manufacturing, is obvious for a government which is acutely sensitive to ethnic and religious issues.

Singapore is growing old. The 75 per cent of the population which is Chinese is currently not reprodncing itself. At the start of this decade there were just over nine people in employment to support each pensioner. In 11 years that figure will have dropped to six. Thirty years into the new century, if present trends continue, there will be fewer than 1.5 workers for each pensioner.

Singapore, it seems, has been working so hard that it risks missing out on one of the most important, and enjoyahle, aspects of growing up.

THE LEX COLUMN

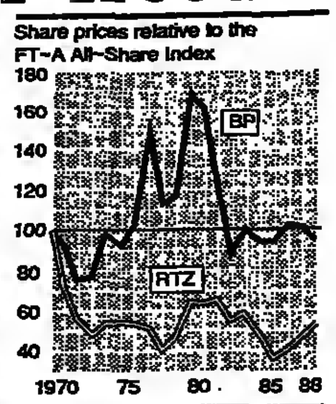
BP's high price of freedom

Game, set and match to the KIO. Despite some formidable opposition from BP and its friends in Westminster, the Kuwaitis have retired claiming a 30 per cent profit on their holding, when the BP underwriters are still looking at big losses.

It is easy to see why BP management agreed to snch an apparently unequal bargain, especially if the alternative was for Pennzoil to buy the shares. But it is harder to see why BP's shareholders should be happy about the deal. *Painted at its blackest*, BP has used the proceeds of a rights issue last year to buy back its shares at a premium of up to 20 per cent, gearing up its balance sheet, and at the same time preventing its shareholders from buying a few of the shares themselves at a nice discount.

While no argument can make what is essentially a defensive move look otherwise, BP should nevertheless be able to talk its shareholders round. It can argue – with some plausibility – that it is in their interests to bring the thing to a speedy conclusion, and that the cost in terms of earnings is negligible. Moreover, since an institutional placing at a price acceptable to the Kuwaitis was not an option, this was probably the only way out. With the KIO off its back BP will be free to pursue other options – especially in the US – which otherwise might have been impossible.

Shareholders unconvinced by all that, may reflect that if the deal were thwarted now, the shares would doubtless fall back below 240p. That does not mean that the outlook for the share price with the dark cloud gone is particularly bright. While BP may choose to look at some underlying value of about 400p, the market seems to feel some resistance at about 260p or so; and at that level the yield slips below 7 per cent, implying either that BP has *become too dear*, or that Shell is a huy. There is one major comfort to the whole thing, however. Had it not been for the urgency of raising a little cash, it is possible that BP would not have chosen such an opportune moment to sell its mineral interests.



RTZ

It is a measure of how much RTZ's image has improved over the last few years that its share price can rise on the day that it offers to pay roughly the equivalent of three quarters of its current stock market capitalisation on a deal which will leave it highly geared and even more exposed to some of the world's more cyclical metals businesses. It is paying around 15 times historic earnings, or twice its own multiple, for a bunch of assets which may be near the peak of their earnings cycle and *a time* when the economic climate is looking increasingly hostile. BP may be confident that it is selling out at the top of the cycle but RTZ has never been known for paying silly prices.

If it really has bet the company in order to fulfil its ambition of becoming far and away the world's biggest mining company, it has done a good job in conning the City. Although it is blaming BP for its unusual secretiveness in disclosing the financial assumptions nnderlining its £2.4bn bid for BP Minerals, the fact that the deal can be self-financing and should enhance earnings by perhaps a few pence per share in year one is impressive. RTZ may be overly optimistic about the outlook for metals prices, hut copper prices could fall by 40 per cent from current levels for a prolonged period without diluting the current level of earnings.

Since BP has invested upwards of $6bn in the business, there is probably some extra profit which can be extracted by injecting RTZ's undoubted mining skills, and the addition of BP Mineral's gold businesses and heavy North American involvement will give a better balance to the mining group's portfolio. Given RTZ's success in selling non-strategic chunks of its business at handsome profits over the last few years, it should be given the benefit of the donbt when it comes to putting a price on businesses it knows well. Meanwhile, it has to be assumed that it will show reasonable inventiveness when it comes to arranging the long-term financing of the deal. Its long-term record does not yet justify calling on *shareholders for extra funds.*

Markets

The London equity market appeared to be suffering from a holiday hangover as traders drifted back to work yesterday. There was nothing new in the Chancellor's tough words about interest rates but they did focus attention yet again on the possibility of another point on UK base rates and the knock-on effect this would have on sterling and industry's margins. Unless there are some fresh horrors in the next batch of UK trade statistics, 13 per cent base rates seem high enough at the moment, but there is always a chance that the pound could test its recent peak against the DM, before it resumes its downward trend. A lot will depend on the dollar, and although it was under pressure yesterday, clues to its next major move will have to wait until the US employment figures on Friday. If these help stabilise the dollar, then attention could once again switch hack to high-yielding currencies – of which the pound is the pre-eminent example.

Banking interest

Midland is responding well to a most unusual marketing challenge: how to present Interest hearing current accounts so that they sound great, but do not encourage too many customers actually to switch to them. Indeed all the pretentious lifestyle-speak that goes with yesterday's launch of not one but three accounts should confuse its depositors so thoroughly that the new schemes may not even cost the estimated £15m in the first year. The cost rises nearly threefold in the second year, as depositors gradually grasp the differences between "Vector", "Orchard" and "Meridian", but that is chicken feed next to the scary sums that were put about when Lloyds announced its "Classic" in October. Midland's promise of generous interest rates appears to be offset by almost equally generous charges, leaving it with a range *of* accounts that look rather less aggressive than Lloyds'. If it really can succeed in selling accounts on image rather than on price, it will have scored a monumental marketing triumph that not just the Midland, but all the other clearers may rejoice in.

EC's single market plans 'irreversible'

By Peter Montagnon, World Trade Editor, in London

THE European Community's plan to establish a single internal market by 1992 is now irreversible and the UK will have to accept that the Community will play an increasing role in its economic and social life, Lord Cockfield, retiring EC internal market Commissioner, said yesterday.

"The blueprint (for 1992) is there, clearly and spelled out in detail," Lord Cockfield, who formally steps down at midnight tomorrow night, told a valedictory press briefing in London. "The omens for completion, and completion on time, are very very good indeed."

It was "inescapable" that the single market would lead to a greater role for Brussels in national affairs, he said, citing the general support in the Community for a set of EC industrial standards which could be established only through Community-wide legislation.

A large element of legislation must move into the EC field. The only way of getting liberalisation in the financial services industry was by legislation at the Community level.

The 1992 programme was important not only because it was the key to the EC's economic future and prosperity but because it was also the foundation on which other policies in areas such as scientific research, the environment, monetary and social affairs would be built.

Lord Cockfield was careful to avoid personal criticism of Mrs Margaret Thatcher, Britain's Prime Minister, who has publicly voiced misgivings about the centralisation of power in Brussels, but said the UK should do more to take the lead in the Community.

"We oughtn't to be in the guard's van at the back. We ought to be in the driver's cab at the front."

The UK had always shown a strong commitment in principle to the idea of 1992 but "there have been times when I myself would have liked to see more translation of that commitment in principle to support in matters of practice."

The first priority of the incoming Commission would have to be to complete the 1992 programme, but it would also need to place increasing emphasis on enforcement of decisions taken at Community level to ensure that they were translated promptly and correctly into national law.

The European Court of Justice, which had established a record of reaching historically significant verdicts by overriding national concerns in matters such as the purity rules on German beer, would play an important role in this.

Asked about Britain's continuing resistance to the EC proposal for rates of value-added tax to be more closely aligned in the new single market, he said that 10 of the 12 member states had accepted this principle.

US-EC trade war may escalate, Page 4; Observer, Page 12

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	S	20	68	Malta	C	14	57	Rhodes	S	09	48
Algiers	S	14	57	Edinburgh	C	06	43	Manchester	C	05	41	Rio de J'o	C	31	87
Amsterdam	C	05	41	Faro	F	14	57	Manila	C	31	88	Rome	R	13	55
Athens	C	05	41	Florence	S	20	68	Melbourne	F	31	88	Salzburg	C	-1	30
Bahrain	C	22	72	Frankfurt	F	08	46	Mexico City	F	23	73	San Francisco	F	12	54
Bangkok	F	33	91	Funchal	F	18	64	Miami	C	25	77	Seoul	F	02	37
Barcelona	S	12	54	Geneva	C	01	34	Milan	S	08	46	Singapore	F	32	90
Beirut	R	13	55	Gibraltar	C	16	60	Montreal	S	-11	12	Stockholm	c	04	39
Belfast	C	09	48	Glasgow	C	07	45	Moscow	C	-18	05	Strasbourg	C	01	34
Belgrade	S	02	36	Guernsey	C	05	41	Munich	S	02	36	Sydney	C	22	72
Berlin	C	02	37	Helsinki	F	01	34	Nairobi	F	24	75	Taipei	C	18	64
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Poland to cut forces by 'tens of thousands'

By Christopher Bobinski in Warsaw

POLAND'S armed forces are to shed "tens of thousands" of personnel in an effort to reduce defence spending and increase efficiency, General Florian Siwicki, the Polish Defence Minister, said yesterday.

Gen Siwicki did not specify any precise timetable for the cuts, revealed in an interview with PAP, the official news agency.

However he did claim that over the past two years the country's armed forces had already been cut by 15,000.

His comments were hailed by Western diplomats as a rare disclosure of military information and as a sign of growing Polish openness about its armed forces.

They said, however, that the cuts were not expected to make any great difference to *the country's combat strength.*

The London-based Institute of Strategic Studies reports that Poland has 394,000 personnel in its armed forces, many of them reservists doing their two-year national service.

Gen Siwicki said further defence spending savings would be achieved by not replacing some officers reaching retirement and by cutting the number of reservists called up for military training.

Gen Siwicki, who is also a member of the Communist Party's ruling Politburo, said more military units would be used for civilian needs such as building roads and railways.

"We foresee that these changes will bring about important personnel advantages to the tune of tens of thousands and big financial advantages," said Gen Siwicki who led Polish troops in the Warsaw Pact intervention in Czechoslovakia in 1968.

His statement comes after the publication of budget figures for this year which provide for a 4 per cent cut in real terms in military spending to Zl 954bn ($1.9bn) in the current year, reducing its share of national income to 3.6 per cent from 3.8 per cent in 1988.

Orders for airliners reach record $47bn

By Michael Donne, Aerospace Correspondent, in London

THE West's five big jet airliner manufacturers have had their best year yet for new orders.

Firm orders were placed for 1,047 aircraft, worth $47.47bn, compared with the previons record set in 1987 when 726 jets were ordered worth $39bn.

Options and letters of intent amonnt to several hundred more aircraft, many of which are certain eventually to be converted to firm contracts.

The strong demand reflects the continued growth in world air passenger and cargo traffic. The near 1.1bn scheduled passengers flying worldwide last year was *only* 4 per cent *more* than in 1987, according to the International Civil Aviation Organisation, hnt in some regions numbers were up between 10 and 20 per cent.

Aviation anthorities expect traffic growth to continne at between 5 and 7 per cent a year through the 1990s, with double the number of passengers by the end of the century.

In addition, many airlines are now in the middle of major replacement programmes, especially in the short-to-medium range category where some Boeing 727 tri-jets and earlier 737s have been in service for as long as 20 years.

Boeing has forecast that between now and 2005 the world market for new jet airliners of all types will amount to about $342bn. Orders to meet traffic growth will account for $242bn of that and replacements for about $100bn.

This compares with $281bn spent by airlines on jets in the entire period from 1952 to 1987, of which several hundred aircraft, worth about $72bn, have still to be delivered.

Boeing forecasts that these outlays will result in deliveries of nearly 7,500 jets by the year 2005. *Allowing for retirements* of some 3,200 ageing aircraft, the total world jet fleet by that time will amount to more than 11,700 aircraft.

Boeing held its position as the world's biggest builder of jets last year, with new orders for 636 aircraft, worth $29.6bn, against 355 worth over $19bn in 1987.

The European Airbus consortium held second place, with 173 jets worth about $8bn against 194 worth nearly $13bn in 1987, ahead of McDonnell Douglas of the US with 167 jets worth $8.45bn against 145 worth about $6bn in 1987.

Commercial jet orders in 1988 (1987 in brackets)

Manufacturer & aircraft type	Orders	Approx value ($bn)	Total orders to date
AIRBUS			
A-300-600R	21 (29)		
A-310	24 (27)		507*
A-320	116 (58)		410
A-330	9 (12)	Total	47
A-340	3 (68)	8.0	110
BOEING			
737	344 (183)		2,264
747	49 (69)		883
757	151 (46)	Total	400
767	82 (57)	29.6	349
BRITISH AEROSPACE			
Type 146	39 (31)	0.78	145
FOKKER			
Type 100	32 (1)	0.64	118
MCDONNELL DOUGLAS			
MD-80	110 (110)	2.75	900
MD-11	57 (35)	5.70	208
TOTALS	1,047 (726)	47.47	6,341

*Combined total for A-300-600Rs and A-310s
Figures cover firm orders and commitments for current models only, not options and letters of intent, which cover several hundred additional aircraft

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 4 1989


Thwaites
ALLDIG. FROM THE No. 1 IN DUMPERS.

INSIDE

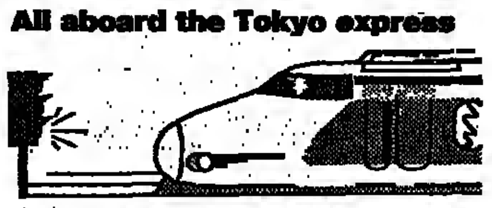
Closed book on a Collins counter bid

Mr Christian Bregou (left), operational head of Groupe de la Cité, France's second-largest book publisher, was maintaining a stony silence yesterday about the company's intentions towards William Collins, the British publisher now facing a £403m ($725m) hostile takeover bid from Mr Rupert Murdoch's News International. The French company emerged last week as a potential white knight and a takeover of Collins would fit precisely the reasons for the creation of the group less than a year ago by merging the book interests of CEP Communication and Générale Occidentale. Page 20

In picture of alternative health

Boiron, world leader in homoeopathic medicines, has taken its alternative treatment crusade to Belgium, where it has acquired a 35 per cent stake in Unda, the country's principal homeopathy specialist. Homeopathy, in which patients are treated by minute doses of drugs that in a healthy person would create symptoms similar to those of their disease, represents only 1 per cent of the global medicaments market. Boiron, therefore, sees its future not just in marketing, but in spreading a different medical message. Page 17

All aboard the Tokyo express



The Tokyo stock market last year overcame a series of obstacles, from interest rate fears to share scandals and a weight of new issues, ending the year with a healthy 27 per cent rise in the Nikkei average. By the final session last week, some of the most favoured stocks had seen their prices double or even quadruple. The mood among investors at the start of 1989 is confident as they bet on the economy continuing its healthy performance. Page 34

Noodling out big business in Australia's gem industry

Digging for opals, or noodling as it is known in Australia, is big business, although the people who do it are not big businessmen. The country accounts for 80 per cent of world production of the fiery gem stones, a business valued, very roughly, at about £40m ($72m) a year. But the bulk of its output comes from one- or two-man operations, mostly operating in South Australia. Chris Sherwell talks to a man who has spent 21 years noodling. Page 22

Ruhr giants discover some unexpected muscles

This time last year virtually all the giants of West Germany's heavy industrial Ruhr region were about to announce results disfigured by losses in non-specialty steel. Since then, however, an upturn in demand has swept the industry along. In addition, the absence of recently abandoned EC steel quotas has proved a blessing, with German plants straining to satisfy their customers. David Goodhart looks at an unexpected upswing in fortunes. Page 16

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Gen. Cinema	33½	−	2
Allianz	1945	+	50	Merck	55⅝	−	1⅛
Bayer	311.8	+	2.8	Procter & Gam	84⅞	−	2⅛
Lufthansa	156	+	8.5	**PARIS (FFr)**			
Nixdorf Comp.	556.7	+	8.7	**Rises**			
Veba	281	+	10.5	Hutchinson	1298	+	83
Viag	252.8	+	7.8	Maisons Phenix	64	+	6
NEW YORK ($)				OFP	18	+	3.6
Rises				**Falls**			
BP	54⅞	+	1⅛	Lechaire	308	−	9
Holly Farms	58⅝	+	1	Scoa	49.1	−	2.2
M Corp	⅞	+	⅛	Telemechanique	3000	−	139

Japan closed. New York prices at 12.30.

LONDON (Pence)				Armstrong Eq.	157	−	8
Rises				Cadbury Sch.	328	−	10
AAH	283	+	8	Cons Gold Flds	£12½	−	⅛
Collins(WM) A	735	+	31	Iceland Frozen	291	−	10
Ferranti	85	+	3½	MB Grp.	251	−	7
Harrisons A	583	+	8	Marley	141	−	7
Harrisons Cros	653	+	7	P & O Defd.	521	−	8
McLeod Russel	124	+	7	Reuters B	508	−	9
Mallett	115	+	6	Rosehaugh	485	−	6
P-E Intl.	198	+	15	TI Grp.	363	−	7
Plessey	224½	+	4½	UK Land	753	−	35
Unigate	355½	+	5½				
Falls							

Divorce with a degree of dignity

Steven Butler looks at the way BP has cleared up the problems created by the KIO's share holding

British Petroleum yesterday closed a painful chapter in its history when it agreed to purchase 790m of its own shares from the Kuwait Investment Office for £2.4bn.

Provided the company's shareholders approve the deal, it will allow both sides to salvage some dignity from the messy saga, which began when the UK Government insisted on pushing through with a public offering of BP shares during last year's stock market collapse.

For BP, the deal removes a huge overhang of stock which had been depressing its shares, and the company claimed yesterday that the price being paid to the KIO would have a neutral effect on earnings. However, there was some criticism among analysts last night that it was paying too much for the stake. The Kuwaitis, for their part, will emerge with a handsome profit on the holding.

There had long been speculation that BP would buy back the stake and this appeared more likely from early December when the company said it was negotiating with RTZ to sell off its minerals division. This deal, which was announced yesterday, has made a large amount of cash available, indeed almost precisely the £2.4bn needed to buy out the Kuwaitis.

None the less, it was never clear whether BP and the KIO would be able to strike a deal.

With the KIO holding a 21.6 per cent stake in BP, and ordered by the British Government to reduce this to 9.9 per cent within three years, there remained a continuing danger that these shares could pass again into unwelcome hands, even though Sir Peter Walters, BP chairman, denied yesterday that this was an issue of concern.

Sir Peter said his main worry was that BP shares would continue to be depressed by investor fears that the KIO-held shares could at any time hit the market. The possibility that they would have been sold in several large blocks could have extended the period of uncertainty for many more years.

Sir Peter had complained that a large KIO holding clouded the identity of the group and may have created political difficulties as the group expanded internationally. This was one argument behind the recommendation of the Monopolies Commission that the KIO be forced to reduce its stake.

All of this is what gave BP a sense of urgency to resolve the matter.

As it turned out, BP's efforts to wriggle out of its predicamant were made considerably more difficult two weeks ago when Lord Young, the Trade and Industry Secretary, extended the divestment period from one to three years.

"The Government's extension of the grace period to three years cost BP money," says Mr Mike Unsworth, an analyst at Smith New Court.

This is because with current market conditions relatively depressed, the KIO could elect to wait. A three year wait, however, was unacceptable to BP which wanted to settle the matter quickly.

The KIO began to build its stake soon after BP shares fell sharply, along with the rest of the market following Black Monday on October 19, 1987. The Government had fixed a sale price for the shares of 330p for a partial flotation just days before the market collapsed, but refused to back off in spite of fears that underwriters might experience massive losses, and that this would depress BP shares for an extended period.

BP's efforts to wriggle out of its predicament were made considerably more difficult two weeks ago when Lord Young, UK Trade and Industry Secretary, extended the Kuwait Investment Office's divestment period from one to three years.

Instead, the Bank of England provided a "safety" net by agreeing to buy partially paid shares at 70p. This held a floor under the share price that the KIO took advantage of to build its holding gradually to over 22 per cent. The share holding has since fallen slightly due to new share issues.

It was revealed later, however, that after the KIO shareholding broke through 10 per cent, it was warned by the British Government not to continue its purchases. Sir Peter also complained that a large KIO stake in BP was not in the interests of the company.

The Monopolies and Mergers Commission eventually agreed with this assessment when it concluded, in a controversial report in August, that the KIO could use its large stake in BP to influence the company, and that the interests of the KIO, as a portfolio investment manager, were difficult to distinguish from that of its owners, the Kuwaiti Government. As an Opec member with huge oil reserves, its interests could easily collide with BP, the report concluded.

The MMC recommended that the KIO sell all but 9.9 per cent of its stake and be barred from voting any shares above the 9.9 per cent level.

Kuwait objected strongly to the report, and asked for a longer period in which to sell the shares. This it was finally given last month.

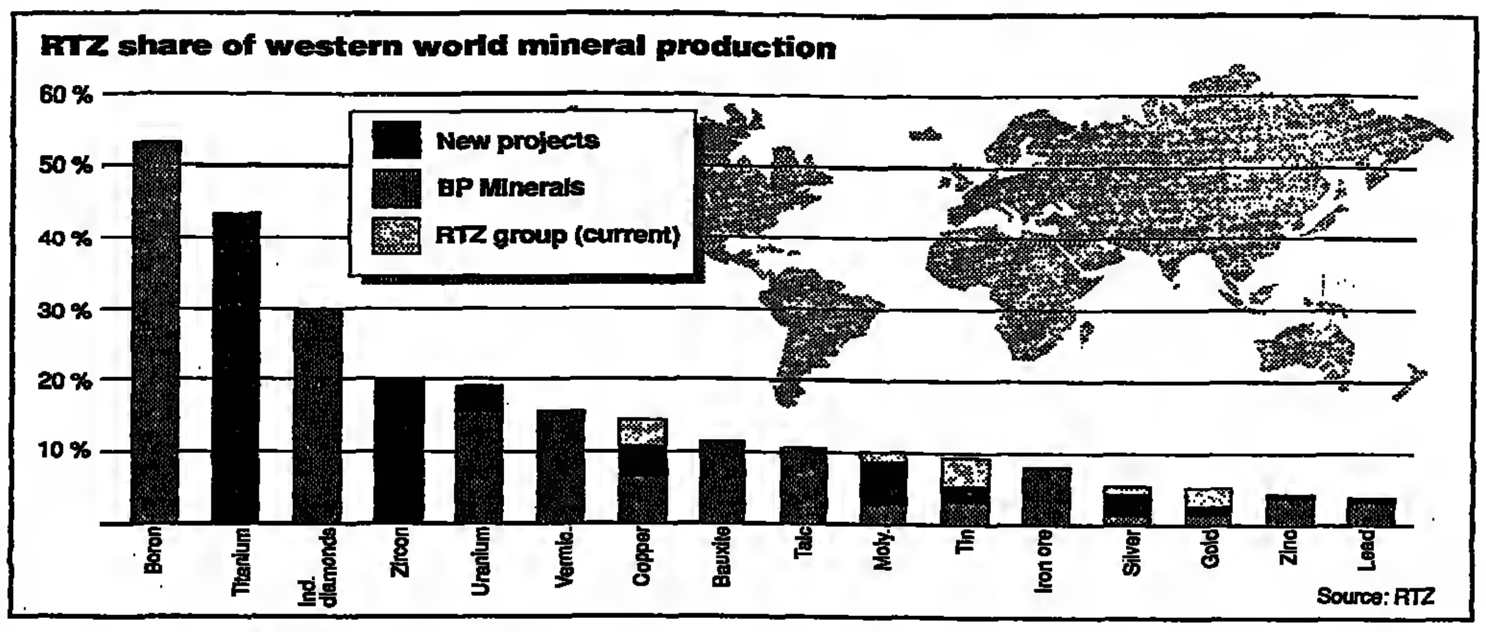
Although the KIO has been widely faulted for ignoring Government warnings to halt its share purchases, and has been deeply embarrassed by the MMC report, it has none the less emerged with an attractive profit, and BP yesterday came under criticism for paying so much to buy in the stake.

The KIO will have paid an average price of about 288p a share, compared to a sale price of 305p, plus about 21½p in dividends.

But because the BP shares are paid for in three tranches, the KIO had relatively little of its money tied up in the purchase: 77p per share on the original tranche, and 105p on the second tranche in August. It thus stands to earn a handsome return. Mr Unsworth calculates this to be over 30 per cent on an annualised basis.

Thus the KIO's reputation for shrewdness is unlikely to be seriously dented by this affair. It miscalculated once, but will not have to pay for it.

RTZ share of western world mineral production



Source: RTZ

RTZ lured by the promise of a golden opportunity

Kenneth Gooding examines the deal for BP Minerals

EXECUTIVES of both British Petroleum and the RTZ Corporation were looking very pleased with themselves yesterday after announcing the biggest-ever private deal between two UK companies – agreement in principle for the sale of BP's minerals operations to RTZ for $4.32bn.

Mr John Gillam, the BP managing director responsible for BP Minerals, said: "We've stripped it bare of all the rubbish and sold RTZ a very good business – at a handsome price."

Mr Derek Birkin, chief executive of RTZ, pointed out his company had developed a healthy reputation for not paying over the odds for any asset, however well it might fit the corporate strategy. "We have taken a typical RTZ conservative view when valuing BP Minerals," he added.

BP admits to having spent about $6bn on its minerals operations since it started its excursion into the mining business; first, with the acquisition of Selection Trust, London-based mining finance house, in 1980 for £407m ($732m) and then the purchase of Kennecott Corporation of the US, one of the world's largest copper producers, which changed hands in 1981 for $1.8bn.

In 1987, BP Minerals had sales of £406m, operating profits of £100m and capital employed of £1.54bn. Sales and operating profit in the first nine months of 1988 were £484m and £180m respectively.

Mr Gillam believes that BP, having bought at the top of the cycle in metals prices, is also selling when they are at a peak. After substantial closures and write-offs, the assets being sold stand in the BP books at about $3bn, so the company will record a capital gain on the deal.

As for RTZ, which has been undergoing a major reshaping over the last two years, Mr Birkin says the deal will give it "an unrivalled position in the mining world and secures the successful development of the company well into the 21st century."

The greatest attraction lies in BP's precious metals interests, since these will turn RTZ into a major player in the gold market. But the deal will also expand RTZ's industrial minerals business, establish a new source of uranium output for it and provide more low-cost base metals properties.

The greatest attraction lies in BP's precious metals interests, since these will turn RTZ into a major player in the gold market. But the deal will also expand its industrial minerals business and establish a new source of uranium output.

The deal will increase the group's attributable annual gold output to about 1m troy ounces and place it third, after Newmont and Placer Dome, in the ranking of producers outside South Africa. Projects in the pipeline might increase RTZ's gold output to more than 1.6m ounces in the early 1990s.

The deal will also boost RTZ's share of western world copper output from 4 per cent to 6.5 per cent because the biggest element within BP Minerals is Bingham Canyon in Utah, the deepest open pit copper-gold mine in the world. The gold by-product and a recently-completed $400m investment programme has made Bingham one of the world's lowest-cost copper producers.

If the deal goes through, RTZ's beneficial share of western uranium production will be boosted from 8 per cent to 10 per cent. This will depend on discussions with Western Mining Corporation of Australia, however, which is BP Minerals' partner in and the operator of the massive Olympic Dam copper, uranium, gold and silver mina in South Australia.

It is common in the mining industry for joint venture deals to include pre-emptive rights should one of the partners wish to sell. That is the case in nearly all BP Minerals' joint ventures, including the Olympic Dam project where Western Mining of Australia has pre-emptive rights on the sale of BP's 49 per cent stake.

Acquisition of the BP assets would also take RTZ for the first time into the titanium dioxide feedstock business through QIT, which has 40 per cent of the market for the product which is used to create white pigments for paint, paper, plastics, etc.

BP also has a 50 per cent interest in another titanium dioxide producer, Richards Bay in South Africa, and this would increase RTZ's exposure there from just over 2 per cent of total assets employed, to abont 4 per cent.

Mr Birkin insisted that his company can well afford to buy BP Minerals even though RTZ's debt to equity ratio will go from nil to 60 per cent if, as seems likely, RTZ borrows all the necessary cash.

GEC, Siemens bid for Plessey clears defence hurdle in US

By Hugo Dixon in London

THE US Government has decided that the joint bid by GEC of the UK and Siemens of West Germany for Plessey, UK electronics company, does not endanger its national security, clearing a hurdle which could have derailed the proposed takeover.

Plessey had placed some hope in stopping the bid by persuading the US Defense Department to block it.

Mr Stephen Walls, Plessey's managing director, said last month that the Pentagon had expressed "some concern" about the bid because of its large defence interests in the US.

The US Treasury Department said, however – in a letter to GEC and Siemens published yesterday – that it had decided not to investigate the bid.

The Treasury has the power to vet acquisitions by foreign companies to see whether they endanger national security, under what is known as the Exxon amendment to last year's Trade Act.

The Treasury consulted the Pentagon in determining not to investigate the bid.

The bid is also understood to have been cleared by the Federal Trade Commission, the US antitrust authority.

The statutory timetable, by which the commission had to make its decision, recently expired – although it has sent neither GEC nor Siemens any official confirmation.

GEC and Siemens said the Treasury's decision had removed a "potentially onerous delay" to the bid.

Plessey, however, claimed it had never expected the US to block the bid. "The mere fact that they even considered investigating it was nice. It doesn't phase us in the slightest," Plessey said.

It is still possible that either the UK's Office of Fair Trading or the European Commission will decide that the bid needs to be investigated. Each is dua to give its decision by the middle of the month.

However, Plessey is relying less on regulatory barriers to stop a takeover than it did earlier and is instead trying to convince its shareholders that it can do better for them than GEC and Siemens.

In its defence document, which is expected to be published on Friday, Plessey will argue that the bid does not make sense industrially, is short on details and fails to take into account the efforts it has made to restructure its business over the past year.

The company, however, is unlikely to make a profit forecast, believing that it is better to keep its powder dry for later in the battle.

In response to the news from the US, Plessey's shares rose 4.5p to close at 224.5p, just 0.5p below the bid price.

PepsiCo deal falls through

By Roderick Oram in New York

GENERAL Cinema's $1.5bn sale of its soft-drink bottling business to PepsiCo has fallen through after a regulators' request for more information about the transaction caused it to miss a year-end deadline.

The two companies said yesterday they were discussing whether there were grounds for negotiating a new deal but added that "there can be no assurance that any transaction can be accomplished on mutually satisfactory terms."

News of the original deal a month ago increased speculation in Britain that General Cinema might use the proceeds from the sale to bid for Cadbury Schweppes, the UK soft drink and confectionery group in which it holds an 18.4 per cent stake.

On the London Stock Exchange last night, shares in Cadbury fell 10p to finish at 328p as bid speculation diminished.

The sale of the Pepsi bottling franchises was conditional, though, on completing the deal by year-end before tax laws changed. Under the old rules General Cinema conld have deferred $400m of capital gains tax for 20 years.

The Federal Trade Commission would not disclose its interest in the sale but almost certainly it concerns PepsiCo's growing ownership of bottling plants.

PepsiCo now supplies some 40 per cent of its US sales from company plants, while franchisees supply the balance.

General Cinema's 20 franchises in nine states would add another 8.5 per cent to PepsiCo's share.

Coca-Cola has followed the same strategy of buying up franchisees in recent years but has spun them off in a 49 per cent owned-subsidiary, Coca-Cola Enterprises.

This bottling company supplies some 43 per cent of Coca-Cola's US market, with independent franchisees accounting for the rest.

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German steelmakers forge strongly ahead

David Goodhart explains how an industry pushed aside gloomy forecasts

This time last year the giants of West Germany's heavy industrial Ruhr region still seemed plagued by the past. Despite more than a decade of diversifying away from steel all the big companies, except Hoesch, were about to announce results disfigured by losses in non-speciality steel.

The stronger and more diversified groups – Hoesch, Mannesmann and Thyssen – could still boast healthy overall earnings and solid balance sheets. Klöckner-Werke and Krupp were in less comfortable positions, epitomised by the latter's bitter battle with its workers to close the Rheinhausen steel plant.

An upturn in steel demand towards the end of 1987 was welcome, but 1988 did not look particularly encouraging. The European Community was set to abolish the steel quota system, leaving the Germans at the mercy of the higher steel subsidies paid in most other EC countries.

The quota system did go, but the upturn in demand continued all last year, so the absence of quotas has been a blessing – at least for now – as German steel plants strained to satisfy customers. Steel production for 1988 will top 41m tonnes, instead of the expected 36m tonnes.

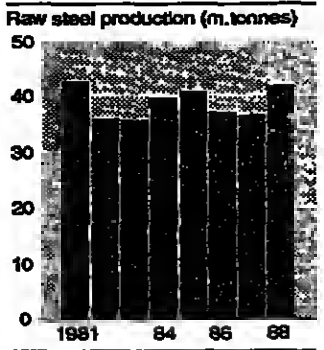
For Thyssen and Hoesch it has been a double boon. With their modern low-cost steel production (Hoesch is now 100 per cent continuous casting) and concentration in higher margin rolled steel products, they trebled or even quadrupled ordinary steel earnings.

And thanks to the international investment boom they have also benefited from the capital goods businesses into which they have diversified. The result is a more than doubling of total net income at Thyssen in 1987-88 and the likelihood of the same at Hoesch.

Mannesmann will also see a substantial increase in profits despite the fall in big tube production. Steel tubes still account for about 25 per cent of turnover, but the fastest growth is in hydraulics and information technology. The company for once made money in rolled steel in 1988; nevertheless it is still relieved to be sharing its steel capacity in a joint venture with Krupp from the beginning of 1990.

W.Germany

Raw steel production (m.tonnes)



For Klöckner-Werke and Krupp the steel and investment goods boom has made further restructuring easier. Krupp Stahl, the quoted steel subsidiary of Fried Krupp, will have made about DM170m ($95m) pre-tax profit in 1987-88, but that is after provisions of DM250m for the closure of Rheinhausen.

The closure, which has been postponed until the beginning of 1990, will cost Krupp Stahl about DM500m but this year's provisions will not have to come out of profits because the company will be taking over a chunk of Mannesmann's assets in creating the joint venture at the latter's Huckingen works across the Rhine from Rheinhausen.

But Krupp Stahl's return to profitability will not help the parent company, Fried Krupp – hit by expected losses of DM600m (1987-1990) in its plant building division, by continuing uncertainties over senior management and by the 25 per cent stake owned by the Iranian Government.

Krupp Stahl's balance sheet is too weak for magnanimous rescue operations especially as it has been undervaluing pension provisions and will have to pay back some of its government steel subsidies.

It is difficult to say how serious a financial mess the parent company is in. It has some successful divisions and companies – special steel, plastics machinery and defence goods. But the current two-year programme designed to bring the loss-makers back into profit without resorting to closures and sell-offs is, according to some analysts, too little too late.

Klöckner-Werke will – like Krupp Stahl – have to pour most of its windfall profits into further restructuring. According to Baring Securities, Klöckner will have to spend another DM40m-50m on its loss-making steel sections plant, Georgsmarienhutte.

And despite the profitability of its injection-moulding machines and mechanical engineering companies its balance sheet is 50 per cent debt and shows no provisions for subsidy repayment.

Having been so badly wrong with their 1988 projections most steel industry planners are reluctant to peer too far into 1989.

Nevertheless, most companies expect a good first six months after which the conditions that have sustained the 1988 boom – higher than expected domestic and world growth, and absence of competition from Far Eastern producers because of the strength of their home demand – may well have disappeared.

Another problem some steel producers fear is an upward realignment of the Deutschemark within the EMS. One economist has calculated that a 5 per cent D-Mark appreciation will cut steel earnings by 20 per cent, because much of the 36 per cent of output that is exported goes to EC countries.

Despite the boom year there is, therefore, an air of caution in the Ruhr, and the first hint of a downturn will focus attention on to where the next major plant closure should come.

With labour costs an average DM39 per hour, compared with DM26 in the UK, managements have resisted taking on extra workers and tried to sustain the rationalising imperative. German steel workers numbered 186,000 in December 1987, fell to 181,000 last June and have since risen by only 1,000, with overtime taking the strain. A further 20,000 jobs are due to go by 1990.

All the big groups are continuing to invest heavily in new plant and the two companies with the healthiest balance sheets – Mannesmann and Thyssen – are looking for big acquisitions, although their caution may cause them to miss the boat.

The Daimler-MBB deal has encouraged talk of a Thyssen bid for Krupp. Thyssen has indeed expressed an interest in Krupp, but short of a massive and politically unacceptable rationalisation it is difficult to see how such a merger could benefit Thyssen. It does not want more steel and in other sectors it might face Cartel Office objections. A limited public flotation of Fried Krupp is said to be more probable.

But takeover speculation will continue to surround the 25 per cent stake held by the Iranians. There is also interest in the future of the 40 per cent stake in Klöckner-Humboldt-Deutz and 18 per cent stake in Klöckner-Werke held by Klöckner and Co, the private trading company, owned by Deutsche Bank after a disastrous loss in oil forward contracts.

Fiat is rumoured to be interested in the KHD stake but the other name mentioned – John Deere of the US – makes more sense. Indeed, Japanese or US heavy industrial groups worried about the effects of 1992 might be interested in all three stakes.

Less dramatically, most of the big groups are expected to go on picking up small or medium-sized "designer capital goods" manufacturers.

In the case of Hoesch and Thyssen most of these recent acquisitions have been increasing their dependence on the automotive industry – about 30 per cent of sales at Thyssen and 40 per cent at Hoesch. Both companies must be hoping that talk of the European automotive industry becoming the steel industry of the late 1990s is as inaccurate as the 1988 steel production estimates.

KKR looks at MCorp as possible bank target

By Anatole Kaletsky in New York

KOHLBERG KRAVIS Roberts, the leading US leveraged buy-out firm which recently won the biggest takeover battle in history when it agreed to buy RJR Nabisco, is contemplating acquisitions in the US banking business for the first time.

Among the companies KKR is examining is MCorp, the biggest independent bank in Texas. MCorp has been technically insolvent since summer and is trying to agree a rescue plan with the Federal Deposit Insurance Corporation.

KKR was said by Texas banking officials to have sent a team of analysts into the Dallas-based MCorp, although sources at the LBO firm noted only that "we are always looking at a large number of potential transactions."

If KKR bids for MCorp, it might be up against several powerful rivals, including Citicorp and Wells Fargo, both of which are believed to have examined MCorp's books and held preliminary talks with the FDIC. All offers would be conditioned on FDIC assistance, estimated by analysts at $1bn or more, and would probably offer little or nothing to the bank's shareholders.

Any investment in MCorp or another troubled bank would almost certainly have to be financed outside KKR's $5bn main leveraged buy-out fund, since MCorp would probably not meet the LBO fund's investment criteria.

However, KKR has raised money separately from its LBO funds to invest in several tax-shelter deals and this was one possibility the firm was said to be considering.

If KKR pursued its interest in MCorp, it would be moving much further away from its traditional LBO business than it has done in the past.

Nixdorf job cuts

Nixdorf Computer, a former West German stock market star, yesterday confirmed plans to shed 1,600 jobs by natural wastage in 1989 out of its worldwide workforce of about 31,000, Reuter reports.

Toyota luxury car name banned

By Roderick Oram in New York

A NEW YORK court has barred Toyota Motor from using the name Lexus for a new marque of luxury cars days before it was due to unveil them at the Detroit and Los Angeles motor shows.

The injunction was sought by Mead, the forest products group, which argued that Toyota's use of the name would diminish the value of the Lexis trademark used by its Mead Data Central computer-based information service.

Mr Bob McCurry, executive vice president of Toyota Motor Sales USA, said his company was "shocked" by the court decision, which it considered wrong and "utterly without basis in fact or law."

Toyota won a temporary reprieve to the order until an appeals court sits tomorrow to decide whether to extend the stay, pending a full appeals hearing.

Toyota said it was optimistic the stay would be lengthened so it could use the Lexus name at a press launch for the cars in Detroit tomorrow, before the two motor shows open to the public at the weekend.

The new marque is designed to emulate the great success Honda has had with its Acura line of luxury cars. Consumers are increasingly baulking at high-priced European cars, with some turning instead to new luxury Japanese alternatives at lower prices. Toyota's new models will be priced from around $22,000 to $35,000.

Toyota has lined up 89 of its first group of 100 Lexus dealers who will begin selling the cars in the autumn. The company said it had spent a "substantial" amount of money to develop marketing and promotion of the Lexus name and had planned to begin advertising shortly.

Judge David Edelstein said Toyota cannot use, display, advertise or promote the Lexus name either as a corporate division or as a name for its cars.

He offered Toyota the alternative course of specifying in its advertisements that there was no connection between Lexis and Lexus and to pay Mead an unspecified sum for running the same message in its own promotions. Toyota decided instead to appeal the order.

Fiat publishing affiliate withdraws from TV deal

By John Wyles in Rome

RCS EDITORI, the Italian publishing group indirectly controlled by Fiat, has abandoned its option to buy a 50 per cent stake in Telemontecarlo, the private television station which broadcasts news programmes in Italy.

RCS, also known as Rizzoli, said yesterday it was not exercising its option to buy from the Brazilian-controlled Globo Europa, because of "the uncertain climate about the timing and contents" of a proposed Italian law to regulate overlapping ownerships between television and newspapers.

Both RCS and the Globo group remain convinced that the worlds of "electronic and written communications" are complementary, said yesterday's statement, which added the hope that balanced legislation would eventually be brought forward to enable everyone to "operate in an open and free market."

The purchase option was agreed for a year from October 1987 and was extended last autumn until the end of 1988.

Fiat's prospective addition of a television station to its ownership of two of Italy's main national dailies has been a source of some controversy. It became one of the targets of a proposal adopted by the present coalition Government to outlaw control by the same proprietors of both newspapers and television stations.

However, this approach has fallen foul of a constitutional court ruling and it is still not clear what the Government will put in its place.

CGE launches FFr3.17bn convertible bond issue

By George Graham in Paris

COMPAGNIE Générale d'Electricité (CGE), the French telecommunications and engineering company privatised a year and a half ago, yesterday launched a FFr3.17bn ($523.3m) convertible bond issue which Mr Pierre Suard, chairman, said was aimed at boosting its funds after a number of recent investments and at financing the future acquisitions of its subsidiaries.

Moves have included raising its stake in its main subsidiary, the telecommunications group, Alcatel, at a cost of FFr1.7bn.

CGE last month announced the merger of power generating and heavy engineering activities, including most of its Alsthom subsidiary, with those of General Electric Company of the UK. It said it expected sales in 1988 to be close to the previous year's FFr127.5bn, with a net profit margin amounting to 3 per cent of sales.

In addition to the convertible bond issue, CGE has just completed an equity issue reserved for employees. Strong demand for the shares, priced at FFr215, led the group to double the issue, bringing the proceeds to FFr430m.

The convertible bonds, priced at FFr440, will mature at the end of 1998, and will bear an annual interest rate of 6 per cent. They may be converted one-for-one into ordinary shares from July 1, 1990.

Shareholders will have priority subscription rights, at the level of one bond for every 10 shares owned, up to January 17.

Mr Suard said that the equity issue took employees' holdings in CGE to 6 per cent. He said that stable, friendly shareholders controlled "closer to 40 per cent than to 35 per cent" of its capital.

I.C.I. International Finance Limited

U.S.$50,000,000 7½ per cent. Guaranteed Bonds 1978/92

Notice of Partial Redemption

S.G. Warburg & Co. Ltd. announce that the redemption instalment of US$3,000,000 due 1st February, 1989 has been met by purchases in the market to the nominal value of US$1,822,000 and by a drawing of Bonds to the nominal value of US$1,178,000.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:—

10	36	78	105	146	237	246	255	264	311	331	452	598	607	691	772	846	1006
1013	1245	1253	1353	1364	1452	1476	1557	1366	1577	1613	1644	1653	1662	1671	1680	1689	1697
1706	1713	1724	1733	1742	1763	1779	1871	1962	2080	2141	2220	2335	2726	2833	2933	3034	3047
3329	3606	4145	4836	3109	3146	3249	3638	5647	6000	6009	6021	6175	6184	6193	6201	6313	6322
6331	6342	6336	6412	7228	7424	7634	7643	9643	9652	9661	9670	9679	10179	10188	11045	12979	12988
13249	13258	13267	13277	13286	13293	13304	13313	13378	13446	13688	13697	13706	13713	13723	13740	13749	13383
13526	16155	16253	16269	16278	16313	16322	16341	16381	16390	16399	16408	16417	16425	16438	16467	16476	16483
16494	16303	16512	16321	16359	16575	16589	16598	16607	16967	16988	18932	21126	23229	25238	23247	23430	23714
25723	24327	24336	24345	24354	24363	24372	24381	24390	24399	24408	24417	24425	24434	24443	24452	24461	24470
24479	24488	24497	24306	24316	24768	24777	24786	24793	24804	24813	24821	24830	24839	24848	24857	24866	24873
24884	24893	24902	24911	24920	24929	24938	24947	24936	24965	24973	24982	24991	25000	25009	25018	25027	25036
25043	25054	25063	25072	25082	25091	25100	25109	25118	25127	25133	25144	25153	25162	25171	25180	25189	25198
25257	25266	25275	25284	25293	25318	25327	25336	25345	25333	25362	25371	25380	25389	25398	25407	25416	25425
25434	25443	25452	25462	25471	25480	25489	25498	25305	25514	25524	25533	25542	25531	25560	25569	25578	25387
25396	25605	25614	25623	25632	25826	25835	25844	26214	26223	26416	26425	26434	26443	26452	26789	26798	26807
26922	27133	27164	27174	27183	27281	27290	27357	27366	27376	27383	27394	27403	27412	27421	27430	27439	27448
27437	27466	27473	27484	27493	27302	27310	27319	27528	27337	27546	27333	27364	27573	27382	27791	27800	28228
28237	28246	28253	28264	28273	28282	30363	31876	32920	33020	33432	33441	33439	33468	33477	33486	33493	33504
33313	33322	33331	33540	33549	33557	33566	37071	38598	38607	38616	38625	38634	38643	38653	38662	38671	38680
38689	38698	38707	38716	38724	38733	38742	38731	38760	38769	38778	38787	38796	38805	38814	38823	38832	38841
38850	38859	38868	38877	38885	38894	38903	38912	38921	38930	38939	38948	38957	38967	38976	38985	38994	39003
39012	39021	39030	39038	39047	39036	39065	39074	39083	39092	39101	39110	39119	39128	39137	39146	39135	39164
39173	39182	39190	39224	39233	39242	39261	39270	39279	39288	39297	39306	39315	39435	39444	39433	39696	39705
39731	39761	39769	39778	39787	39796	39805	39814	39825	39833	39842	39851	39860	39869	39878	39887	39896	39905
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40074	40083	40092	40101	40110	40119	40128	40137	40146	40136	40165	40174	40183	40192	40201	40210	40219	40228
40236	40245	40254	40263	40272	40281	40290	40299	40308	40317	40326	40335	40344	40333	40362	40371	40380	40388
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40992	41046	41033	41104	41432	41441	41450	41459	41468	41478	41487	41496	41305	41314	41321	41331	41340	41334
41363	41600	41609	41618	41627	41636	41645	41654	41663	41672	41681	41690	41699	41708	41716	41725	41734	41743
41752	41761	41770	41779	41788	41797	41806	41813	41825	41834	41845	41852	41861	41868	41877	41887	41896	41905
41914	41925	41934	41943	41932	41961	41970	41979	41988	41997	42006	42015	42023	42032	42041	42050	42059	42068
42277	42286	42293	42304	42313	42332	42341	42351	42360	42369	42578	42587	42394	42403	42413	42422	42431	42440
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44340	44349	44538	44588	44597	44606	44614	44623	44632	44641	44665	44674	44683	44692	44701	44710	44719	44728
44737	44746	44733	44764	44773	44782	44790	44799	44808	44817	44826	44833	44844	44853	44862	44871	44881	44890
44899	44908	44917	44926	44935	44943	44952	44961	44970	44979	44988	44997	45006	43013	45024	45033	43042	45067
45076	45085	45093	45104	45111	45120	45129	45138	45148	45137	45166	45225	45234	45243	45252	45261	45270	45279
45288	45297	43306	43314	45343	45332	45561	45570	45579	45388	45597	45606	45613	45624	45633	45642	45651	45660
45669	43679	45688	45695	45704	45713	45722	45732	45741	45750	45739	45768	45777	45786	45793	45804	45813	45822
45831	43840	45839	43868	45877	45886	45945	45954	45963	45972	45981	45990	45999	46008	46017	46026	46035	46134
46144	46131	46160	46169	46178	46187	46196	46206	46213	46224	46233	46242	46251	46260	46269	46278	46287	46296
46385	46393	46402	46411	46420	46429	46438	46447	46456	46465	46474	46483	46492	46501	46510	46519	46528	46537
46545	46534	46563	46572	46581	46590	46600	46609	46618	46627	46636	46645	46654	46772	46781	46790	46800	46807
46816	46825	46859	46868	46883	46893	46904	46913	46922	46931	46940	46949	46938	46967	46976	46985	46994	47002
47011	47020	47029	47038	47047	47056	47065	47074	47083	47092	47101	47110	47119	47128	47137	47146	47154	47163
47172	47331	47340	47349	47359	47368	47377	47386	47393	47404	47413	47422	47451	47440	47449	47457	47466	47473
47484	47493	47502	47511	47520	47529	47338	47547	47336	47363	47574	47383	47592	47601	47677	47683	47694	47703
47712	47721	47730	47739	47749	47738	47767	47776	47785	47794	47803	47812	47821	47830	47838	47847	47856	47865
47881	47890	47899	47916	47925	47954	47963	47972	48016	48025	48034	48043	48052	48127	48136	48145	48134	48163
48172	48181	48190	48200	48209	48218	48252	48261	48270	48428	48437	48446	48455	48461	48472	48481	48490	48499
48508	48517	48526	48535	48544	48553	48562	48571	48980	48989	48998	49007	49015	49024	49033	49042	49051	49060
49069	49078	49087	49097	49106	49115	49124	49133	49142	49151	49160	49168	49177	49186	49195	49204	49213	49222
49231	49240	49249	49258	49267	49276	49285	49294	49303	49312	49321	49329	49338	49347	49336	49365	49374	49383
49392	49401	49411	49420	49429	49438	49447	49436	49465	49474	49482	49491	49500	49509	49318	49327	49536	49543
49334	49563	49572	49381	49590	49599	49608	49617	49626	49634	49643	49652	49661	49670	49679	49688	49697	49706
49715	49724	49734	49743	49752	49761	49770	49779	49788	49796	49805	49814	49828	49837	49846	49853	49864	49873
49882	49891	49900	49959	49968	49977	49986	49995										

On 1st February, 1989 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:—

S.G. Warburg & Co. Ltd.

Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 1st February, 1989 and Bonds so presented for payment should have attached all Coupons maturing after that date.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within six years from the due date for payment thereon. Bonds will become void unless presented within six years of the redemption date.

US$7,000,000 nominal amount of Bonds will remain outstanding after 1st February, 1989.

4th January, 1989

This announcement appears as a matter of record only. December 1988

DYNO INDUSTRIER A.S

US$100,000,000

Multicurrency Standby Facility

Arranged by

COUNTY NATWEST

Lead Managers

Christiania Bank og Kreditkasse National Westminster Bank PLC

Managers

Barclays Bank PLC The Development Bank of Singapore Ltd London Branch

Kansallis Banking Group The Royal Bank of Canada Group

Svenska Handelsbanken Group Swiss Bank Corporation

Participants

Banque Nationale de Paris The Bank of Tokyo, Ltd.

Den norske Creditbank

Facility Agent

NatWest Investment Bank Limited

The NatWest Investment Bank Group

INTERNATIONAL COMPANIES AND FINANCE

Spreading homeopathic message

George Graham in Paris examines the expansion aims of Boiron

Boiron, the world leader in homeopathic medicines, has expanded into Belgium with the acquisition of a 35 per cent stake in Unda, the country's main homeopathy specialist.

The stake marks a further step for a company whose expansion is not just a matter of marketing, but of a real crusade to spread a different medical message.

Homeopathy, in which patients are treated by minute doses of drugs that in a healthy person would create symptoms similar to those of their disease, represents an estimated $800m a year market, less than 1 per cent of the global medicaments market.

Boiron, with sales estimated at FFr770m ($127.1m) in 1988, has a worldwide market share of around 16 per cent, well ahead of its French rival Dolisos and the two leading West German homeopathic laboratories, Schwabe and Heel.

Yet Boiron remains anchored in its domestic market, which has accounted for 90 per cent of sales.

"To promote our homeopathic medicines, we have to promote homeopathy, which requires a whole structure of relationships with doctors and pharmacists, as well as with the general public," says Mr Olivier Blanc, Boiron's finance director.

These structures, including teaching and research, exist to some extent in France, where the costs of homeopathic medicines are reimbursed by the social security system, where some 5,000 to 6,000 doctors are trained in the field and where Boiron works with probably 18,500 out of the 20,000-odd pharmacies in the country. They exist also in West Germany, the other major market for homeopathy in Europe.

The UK has developed to a lesser extent. It has old-established traditions, exemplified by the Royal Family's devotion to homeopathic medicine, and even some National Health Service homeopathic hospitals – something that does not exist in France – but the overall market for homeopathic products is less than a tenth the size of France's.

The Belgian market, too, is small. Unda is leader with a share of around 40 per cent, but its sales totalled only BFr209m ($5.6m).

Boiron's main goal, therefore, has been to consolidate its presence in France, which it achieved last year by taking full control of the country's number three producer, Laboratoires Homeopathiques de France (LHF), with a domestic market share of around 17 per cent to Boiron's 43 per cent.

"We were caught in a bubble that did not grow much, and our analysis was that we had to increase the size of the bubble. There was not much point in working to develop the overall market if we only gained 43 per cent of the benefits, but there was a point if we gained 60 per cent," says Mr Blanc.

Developing the market entails costly investments. Alongside Laboratoires Boiron, which produces the medicines, the group has set up the Institut Boiron, which finances research and teaching as well as more general information programmes about homeopathy aimed at doctors and pharmacists. It has also targeted the general public with the Club Boiron Santé.

"Both the Institut and the Club are today cost centres, which is normal since they are development tools. Our objective, however, is to make them earners, even if they will not become totally self-financing," Mr Blanc says.

The stake in Unda in Belgium adds to a network of subsidiaries that includes Spain, Italy, India, the US and Canada. In other countries, the group distributes some of its specialities, such as the influenza treatment Oscillococcinum or LHF's transport sickness pill Cocculine, with the idea of getting the Boiron name known as a prelude to setting up business.

Three-quarters of Boiron's sales, however, are of such generic medicaments as arnica or belladonna, rather than of its own specialties, and the group is at the mercy of French government policy on prices of drugs reimbursable by the social security system.

To make headway against this constraint, Boiron has set a target of annual productivity gains of 4 per cent. If this target is exceeded, savings are divided equally between the company and the employees. Below 4 per cent, employees' post-inflation earnings are reduced.

Introduced on the Lyon second market 18 months ago, the group remains firmly controlled by the Boiron family. After the FFr120m purchase of LHF and the FFr8.5m spent on the stake in Unda, Mr Blanc does not rule out the possibility of tapping the market again in the course of the year.

Holmes à Court raises Sherwin Pastoral stake

By Chris Sherwell in Sydney

A BATTLE for control of Sherwin Pastoral, a big Australian livestock and rural property group, moved into a new phase yesterday with confirmation that Mr Robert Holmes à Court, the Perth entrepreneur, had lifted his interest to 18.5 per cent.

The increased stake resulted from the sale by Mr John Elliott's Elders IXL of 12.4m shares in Sherwin at a price of A$1.10 per share, valuing the company at almost A$80m (US$68.3m).

It was Elders which put Sherwin's future on the line when it announced an on-market offer last September of 88 cents a share. Since then its offer has been overtaken by a conditional bid of A$1.02 from Mr Holmes à Court, which has also lapsed, and a formal offer of A$1.05 from Bankers Trust Australia.

This remains on the table, but yesterday's announcement, which means Elders has sold the bulk of its 19 per cent holding, puts pressure on Bankers Trust to raise its offer. It held almost 20 per cent of Sherwin when it launched its bid.

The transaction also revives the prospect of a counter-bid from Mr Holmes à Court. The entrepreneur's earlier Sherwin move brought him back into the public eye after he sold his Bell companies following the October 1987 stock market crash. He has also purchased a stake in Christie's, the British auction house.

Sherwin has a string of large properties spread across the Australian continent. Listed in 1986, it suffered from droughts and questions over stock numbers. Elders was one of its main creditors.

Mr Peter Sherwin, the company's founder and controlling shareholder with around 34 per cent, has rejected the Bankers Trust offer, saying it is below net asset backing. He has also declared that it would fail because he has the support of two other key shareholders.

Gotthard Bank ahead

By William Dullforce in Geneva

GOTTHARD BANK (Banca del Gottardo), the Swiss bank in which Sumitomo Bank of Japan holds a majority stake, reports net earnings of SFr41m ($27.3m) for 1988.

This result, SFr1m higher than in 1987, was achieved in spite of lower commissions from securities trading, an important activity in a bank whose principal business is asset management.

All other sectors did well with particularly favourable results recorded by Banque de Gestion Privée of Geneva, in which Gotthard bought a 75 per cent stake last March.

Gross profit for 1988 was SFr79m against SFr77m previously. Total assets advanced by 12 per cent to SFr5.46bn.

Sales slide at Gasunie

By David Brown in Amsterdam

NEDERLANDSE GASUNIE, the state-controlled marketing company for Dutch natural gas, reveals a 19 per cent drop in turnover to Fl 12.3bn ($6.1bn) for 1988 from Fl 15.1bn.

The fall was the result of lower sales volumes on domestic and international markets due in part to mild winter temperatures, but also to growing competition.

Total gas sales expressed in volume were 66.9bn cubic metres, down from 74.8bn cu m in 1987, and 1bn cu m below an earlier forecast. Of this total, 26.8bn cu m was destined for export markets, a drop from 30.7bn cu m the previous year.

Royal Dutch/Shell and Exxon each hold a one-quarter stake in Gasunie.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	107-28	-8/32	10.85	10.84	11.05
		8.750	9/97	91-26	-8/32	10.19	10.06	10.23
		9.000	10/08	97-12	-5/32	9.29	9.20	9.27
US TREASURY*		8.875	11/98	97-22	-18/32	9.23	9.05	9.17
		9.000	11/18	99-00	-33/32	9.10	8.94	9.17
JAPAN	No 105	5.000	12/97	99.1502	+0.130	4.73	4.67	4.54
	No 2	5.700	3/07	109.1711	-0.002	4.76	4.75	4.72
GERMANY		6.750	8/98	100.6000	-0.750	6.69	6.56	6.49
FRANCE	BTAN	6.000	10/93	97.8559	+0.085	8.55	8.60	8.56
	OAT	9.500	5/98	105.1750	-0.175	8.65	8.61	8.74
CANADA*		10.250	12/98	100.0000	-0.625	10.25	10.09	10.13
NETHERLANDS		8.7500	10/98	100.8250	-0.700	6.71	6.58	6.56
AUSTRALIA		12.500	1/98	87.4358	-0.258	12.98	12.90	12.51

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 30th December, 1988 to 30th March, 1989 has been fixed at 13¼ per cent. per annum. Coupon No. 12 will therefore be payable on 30th March, 1989 at £1,633.56 per coupon from Notes of £50,000 nominal and £163.36 per coupon from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD.
Agent Bank

Finnair issue oversubscribed

By Olli Virtanen in Helsinki

FINNAIR, the Finnish national airline, has closed its initial public share issue after the first day when it became subscribed several times over.

The offering of about 1.17m shares at FM55 coincided with a rights issue and an offer to exchange shares of Kar-Air, a subsidiary, for those of Finnair. The shares on offer totalled 6.8m, bringing in FM250m ($60.1m).

SABRE INTERNATIONAL LIMITED
US$100,000,000
Floating Rate Secured Notes Due 1992

For the 3 months period 23rd December, 1988 to 22nd March, 1989 the Notes bear the interest rate at 9.6875% per annum. US$23,949.65 will be payable from 22nd March, 1989 per US$1,000,000 principal amount of Notes.

Yamaichi International (Europe) Limited, Agent Bank

Perstorp

Notice of Annual General Meeting

The Shareholders of Perstorp AB are hereby invited to attend the Annual General Meeting to be held on Saturday, 28th January, 1989 at 10 a.m. (Swedish time) at Perstorp AB's employee centre in Perstorp, Sweden.

Agenda
1. Election of a Chairman to preside at the Meeting.
2. Preparation and approval of a voting list.
3. Election of two persons to approve the minutes.
4. Examination of whether the Meeting has been properly convened.
5. Presentation of the Annual Report, the Auditors' Report on the Parent Company, the Consolidated Accounts and the Auditors' Report on the Group.
6. Consideration of resolutions in respect of the following:
(a) the adoption of the Parent Company Income Statement, the Parent Company Balance Sheet, the Consolidated Income Statement and the Consolidated Balance Sheet;
(b) the appropriation of the Company's profit according to the adopted Balance Sheet; and
(c) the Directors' and the Managing Director's discharge from liability.
7. Determination of the number of Board of Directors and deputy members of the Board and Auditors.
8. Determination of the fees of the Board of Directors and the Auditors.
9. Election of the Board of Directors and the Auditors.
10. Approval of the Board of Directors' decision (taken subject to the approval of a shareholders' meeting) of 8th December, 1988, concerning a new issue by way of rights entitling the existing shareholders of Perstorp to subscribe one new non-restricted share of series B for each ten existing shares of series A and/or series B held. The new shares shall be issued at a price of SEK 110 per share. The record date for determining entitlement to subscribe for the new shares shall be 1st February, 1989.
11. The Board of Directors' proposal that the Board be authorised, until the next Annual General Meeting, to decide upon a new issue of a maximum of 1,000,000 non-restricted shares of series B. Such authorisation may, within the stated limitations, be utilized either on one or more occasions.

Such issue – which would involve waiver of the preferential subscription right of the existing shareholders – shall be directed to the international capital markets in connection with the Company's proposed application for a listing of the non-restricted shares of series B on the Paris Stock Exchange.

Upon a decision to make such a new issue being taken, the subscription price of the new non-restricted shares would be set at a level closely related to the quoted price for the Company's non-restricted shares of series B on the Stockholm Stock Exchange at the time of such issue, after deduction however of such small "discount" as is deemed necessary for a successful placing of the shares in the market.

12. Closing

In order to take part in the Annual General Meeting, Shareholders must be registered in the Shareholders' Register maintained by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB) not later than Wednesday, 18th January, 1989. Shareholders who have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. Such re-registration must be made not later than Wednesday, 18th January, 1989.

A Shareholder may attend and vote at the Meeting in person or by proxy but in accordance with Swedish practice the Company does not send forms of proxy to its Shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

Notification of intended participation in the Annual General Meeting must be given to Perstorp AB not later than Tuesday, 24th January, 1989 at 3 p.m. (Swedish time)
by telephone, by calling (010)46-435-38000 (direct line); or
by mail, addressed to Perstorp AB, S-284 80 Perstorp, Sweden.

The Company will confirm receipt of notice of participation by sending an admission card to be shown at the Meeting. This confirmation will also include a detailed description of the most suitable route to Perstorp.

The Board of Directors has decided to propose that the Record Date for dividends be Wednesday, 1st February, 1989. Should this be approved, it is anticipated that the dividend will be distributed by the Swedish Securities Register Centre on Wednesday, 8th February, 1989.

Documentation containing full details of the issue by way of rights and the proposed authorisation will be made available for inspection at the head office of Perstorp AB in Perstorp and at the offices of Enskilda Securities, Skandinaviska Enskilda Limited at 26, Finsbury Square, London EC2A 1DS from Friday, 20th January, 1989.

Application will be made for the new shares to be listed on the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. Listing Particulars will be published on or about 3rd February, 1989.

Perstorp, January 1989
The Board of Perstorp AB

NOTICE TO THE HOLDERS OF WARRANTS
to subscribe for shares of common stock of
KOKUSAI Securities Co., Ltd.
in conjunction with its
U.S. $100,000,000 4½ per cent. Bonds due 1993

KOKUSAI Securities Co., Ltd. (the "Company") changed its financial year-end from 30th September to 31st March, effective from 31st March, 1989 at the meeting of the shareholders of the Company held on 16th December, 1988. The Company will have a transitional financial period of six months running from 1st October, 1988 to 31st March, 1989 and thereafter its financial year will run from 1st April to the following 31st March: the record date for the payment by the Company of annual dividends will be 31st March in each year.

Notice is hereby given that, as a result of the foregoing, the Dividend Accrual Period (as defined in Condition 4 of the Warrants) with respect to the shares of the Company issued upon exercise of the captioned Warrants will be a six-month period ending on 31st March, 1989 and thereafter each one year period ending on 31st March in each year.

KOKUSAI Securities Co., Ltd.
27-1, Shinkawa 2-Chome,
Chuo-ku, Tokyo, 104 Japan

Dated: 4th January, 1989

All of these securities having been sold, this advertisement appears as a matter of record only.

50,000,000 Shares

Continental Bank Corporation
(formerly Continental Illinois Corporation)

Common Stock
($1.00 par value)

5,000,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International Limited
Merrill Lynch International & Co.
Shearson Lehman Hutton International
Dean Witter Capital Markets-International Ltd.

Banque Paribas Capital Markets Limited | Deutsche Bank Capital Markets Limited | Fox-Pitt, Kelton N.V.
Morgan Stanley International | Nomura International Limited | Salomon Brothers International Limited
J. Henry Schroder Wagg & Co. Limited | Union Bank of Switzerland (Securities) Limited | S. G. Warburg Securities

45,000,000 Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Shearson Lehman Hutton Inc.
Dean Witter Capital Markets

Bear, Stearns & Co. Inc. | The First Boston Corporation | Alex. Brown & Sons Incorporated | Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation | Drexel Burnham Lambert Incorporated | Hambrecht & Quist Incorporated | Keefe, Bruyette & Woods, Inc.
Kidder, Peabody & Co. Incorporated | Lazard Frères & Co. | Montgomery Securities | Morgan Stanley & Co. Incorporated
PaineWebber Incorporated | Prudential-Bache Capital Funding | Robertson, Colman & Stephens
Salomon Brothers Inc | M. A. Schapiro & Co., Inc. | Wertheim Schroder & Co. Incorporated | Advest, Inc.
William Blair & Company | J. C. Bradford & Co. | The Chicago Corporation | Dain Bosworth Incorporated
A. G. Edwards & Sons, Inc. | McDonald & Company Securities, Inc. | Oppenheimer & Co., Inc. | Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben, Inc. | The Robinson-Humphrey Company, Inc. | Thomson McKinnon Securities Inc.
Wheat, First Securities, Inc. | Robert W. Baird & Co. Incorporated | Bateman Eichler, Hill Richards Incorporated | Blunt Ellis & Loewi Incorporated
Cowen & Co. | Gruntal & Co., Incorporated | Neuberger & Berman | The Ohio Company
Raymond James & Associates, Inc. | Rodman & Renshaw, Inc. | Stifel, Nicolaus & Company Incorporated | Sutro & Co. Incorporated
Wedbush Morgan Securities | ABC Investment Services Corp. | Doley Govan Securities, Inc. | Hayes & Griffith, Inc.
Howe Barnes Investments, Inc. | Illinois Company Investments, Inc. | WR Lazard & Laidlaw Incorporated
Pryor, Govan, Counts & Co., Inc. | Muriel Siebert & Co., Inc. | Sloate, Weisman, Murray & Company, Inc.

December, 1988

All of these securities have been sold. This announcement appears only as a matter of record.

December 22, 1988

$200,000,000

BANQUE AFRICAINE DE DEVELOPPEMENT · AFRICAN DEVELOPMENT BANK

African Development Bank

$100,000,000
9½% Subordinated Notes of 1988, due December 15, 1995

$100,000,000
9¾% Subordinated Notes of 1988, due December 15, 2003

Kidder, Peabody & Co. Incorporated
The First Boston Corporation
Goldman, Sachs & Co.

Citibank, N.A. | J. P. Morgan Securities Inc.
Pryor, Govan, Counts & Co., Inc. | Daniels & Bell, Inc.
Merrill Lynch Capital Markets | Morgan Stanley & Co. Incorporated | Prudential-Bache Capital Funding
Salomon Brothers Inc | Shearson Lehman Hutton Inc.

We are pleased to announce the formation of

Klingenstein, Fields & Co., L.P.

KF&

investment advisors to individuals of substance

Principals

Frederick A. Klingenstein
Kenneth H. Fields
John Klingenstein

Equitable Center
787 Seventh Avenue
New York, NY 10019-6016
Tel: (212) 492-7000 Facsimile: (212) 492-7007

January 1, 1989

MFC

Mortgage Funding Corporation No 3 Plc
£120,000,000
Class C-1
£14,200,000
Class C-2
Mortgage Backed Floating Rate Notes
October 2023

For the interest period 3rd January, 1989 to 3rd April, 1989 the Class C-1 Notes will bear interest at 13.55% per annum. Interest payable on 3rd April, 1989 will amount to £3,341.10 per £100,000 Note. The Class C-2 Notes will bear interest at 13⅝% per annum. Interest payable on 3rd April, 1989 will amount to £481,438.36 per £14,200,000 Principal Amount.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

MFC

Mortgage Funding Corporation No 1 Plc
£175,000,000
Class A-1
£25,000,000
Class A-2
Mortgage Backed Floating Rate Notes
March 2020

For the interest period 30th December, 1988 to 31st March, 1989 the Class A-1 Notes will bear interest at 13.6125% per annum. Interest payable on 31st March, 1989 will amount to £3,393.80 per £100,000 Note. The Class A-2 Notes will bear interest at 13.8125% per annum. Interest payable on 31st March, 1989 will amount to £3,443.66 per £100,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

INTERNATIONAL CAPITAL MARKETS

Eurobond issues spring to life

By Norma Cohen and Katharine Campbell in London and Janet Bush in New York

THE PRIMARY Eurobond markets recovered from the holiday lull with a fervour that surprised even seasoned operators who watched nine separate issues emerge.

The most popular sector of the market was in Australian dollars which accounted for five issues totalling A$345m. By mid-afternoon, all the new deals were trading at or inside their fees, reflecting nearly three weeks of pent-up investor demand. While most institutional investors had closed their books for the holiday season, demand had continued from smaller retail accounts for high-yielding paper in Australian dollars.

The fact that nearly three weeks had elapsed since the last new Eurobond in that currency helped prices stay firm. Also, the surge of new paper was prompted by swap opportunities which improved over the past few trading sessions as yields rose on domestic government bonds. Borrowers raising funds in that currency have been able to swap into floating rate US dollars at 30 to 50 basis points below London interbank offered rates. Swap rates are best in two- to three-year maturities.

But the largest of the day's new deals was not swapped at all. National Australia Bank issued a five-year A$100m Eurobond via Hambros Bank. The deal carries a coupon of 14⅜ per cent and is priced at 101⅞ to yield 80 basis points over government bonds. The maturity is expected to appeal mostly to West German investors, flush with cash from recent coupon payments, who prefer longer dated paper.

Montreal Trust Co of Canada issued a A$60m two-year Eurobond carrying a coupon of 15¼ per cent. The deal, lead managed by NatWest Capital Markets, is priced at 101⅝ to yield 52 basis points over government bonds.

Akzo, the Dutch chemicals group, issued a A$70m three-year Eurobond via AmRo Bank. The 14⅝ per cent bonds, priced at 101⅝, are believed targetted for Dutch retail investors. The bonds will trade on the Amsterdam Stock Exchange in order to insure greater liquidity.

Swedish Export Credit launched a A$75m three-year Eurobond via Westpac Banking Corp that carries a coupon of 14½ per cent but is priced at 101⅝ to yield a very narrow 10 basis points over government bonds. Still, the issue was seen bid at less 1.45 per cent, inside its full fees of 1⅝ per cent.

In Switzerland, Swiss Bank Corporation issued a SFr200m bond with equity warrants to buy its registered shares. The bond carries an indicated coupon of 3¼ per cent and are priced at par.

The warrants may be held, but not exercised, by foreign investors. Swiss banks have rejected the lead set late last year by Nestlé which allowed foreigners to buy its registered shares.

US TREASURY bonds celebrated the New Year with a full point drop as new evidence of vigorous US economic growth emerged and as the dollar slumped on foreign exchanges.

By midsession, the Treasury's benchmark long bond had dropped a full point to yield 9.09 per cent. At the short end of the yield curve, losses were much less severe. The 8.5 per cent issue due to mature in 1991 dropped ⅛ point to yield 9.31 per cent.

The dollar came under particular pressure yesterday against the D-Mark which was boosted by news of a sharp widening in Germany's trade surplus in November and against sterling after Mr Nigel Lawson, Britain's Chancellor of the Exchequer, warned that UK interest rates may have to rise again to combat inflation.

At midsession, the dollar was quoted at Y124.45 against Y124.50 earlier in the session, at DM1.7620 from DM1.7700 earlier and at $1.8240 to the pound, after $1.8110.

Selling of the dollar was also a reflection of general bearishness about the US currency and some profit-taking after strong corporate year-end buying.

US bonds were also reacting to the December report by national purchasing managers which showed vigorous growth and accelerating new orders, exports and production. Although the report added that inflationary pressures, as measured by corporate plans to raise prices, had continued to decline, overall the assessment was a clear negative for bonds.

The closely-watched Federal Funds rate yesterday opened at 9¾ per cent and then edged higher to 9⅞ per cent by midsession. However, bond analysts noted the Funds rate was probably boosted artificially because of payments for last week's two- and four-year note auctions and the market will have to wait until later in the week to see where Fed Funds settle.

The market's major focus this week will be Friday's unemployment figures amid continuing speculation about a further tightening in US monetary policy.

FRANCE had a quiet day, ahead of Thursday's monthly auction, details of which are expected today. Prices drifted gently lower throughout the day, following the US down in the afternoon. On Matif, the futures market, prices held up better, as arbitrageurs were seen selling cash bonds and buying the futures contract, a technique known as reverse cash and carry.

UK GOVERNMENT gilts summoned up singularly little enthusiasm for the start of the new year. Traders were generally holding their fire until some clearer indications of the direction of the UK economy were forthcoming. Chancellor Nigel Lawson's remarks at the beginning of the week, while underpinning sterling, did little for the gilts market which was down a quarter of a point soon after the opening. US bond market weakness later in the day reinforced the downward drift in prices.

Terms announced on the new national savings bond did nothing to impress the market. Many analysts felt that the 12 per cent compound interest over five years would be insufficient to attract large inflows from small investors, and the tax structure was also deemed unfavourable. Thus those who thought that inflows would put additional pressure on the Government to buy in more gilts were in a distinct minority. Gilts prices were largely unaffected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
Montreal Trustco♦	60	15¼	101⅝	1991	¾/½	NatWest Cap. Mkts.
National Australia Bk.♦	100	14⅜	101⅞	1994	1⅞/1¼	Hambros Bank
Ford Credit Australia♦	50	14⅜	101⅞	1992	1½	Hambros Bank
AKZO NV♦	70	14⅝	101⅝	1992	1½	AMRO Bank
SEK♦	75	14½	101⅝	1992	1½	Westpac Banking
D-MARKS						
Soc.Gen.Bk.Nederland♦	200	5⅞	101⅜	1994	1⅞/⅝	Soc.Gen.-Elsaessiche
Royal Insurance♦	250	5⅞	101	1994	1⅞/1¼	Commerzbank AG
SWISS FRANCS						
OKB(a)♦	100	4½	101	1999	n/a	SBC
OKB(a)♦	100	5	100¾	2009	n/a	SBC
STERLING						
Deutsche Bank Finance♦	75	11	101¼	1994	1¾/⅝	Baring Brothers

♦Final terms. (a)Launched as part of a two tranche issue.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¼	94¼	0	+0¼	9.80
A/S Eksportfinans 7¼ 92	150	93	93¼	-0¼	-0¼	9.96
B.F.C.E. 7 92	150	†92¼	92¼	-0¼	-0¼	9.84
Brit. Tel. Fin. 9⅜ 98	250	97⅜	98	-0¼	-0½	9.75
Canada 9 96	1000	†97¾	98	+0¼	-0¼	9.44
Canadian Pac 10⅜ 93	100	*†102	102	0	0	10.13
C.C.C.E 9¾ 95	300	97¾	98¼	-0⅛	-0¼	9.68
C.N.C.A 9¾ 93	150	98½	99	-0½	-0¼	6.68
Credit Lyonnais 9 91	200	†98½	99	+0¼	0	9.64
Credit National 8¼ 93	200	94½	95	-0¾	-0¼	9.78
Credit National 7¼ 92	100	93¼	93¼	-0¼	-0¼	9.74
Credit National 7¼ 91	150	†93⅞	94⅜	+0¼	+0¼	9.62
Dai-Ichi Kan 9⅜ 92	150	99¼	99¼	-0⅜	-0¼	9.80
Denmark 7⅛ 92	500	92⅝	92⅞	+0¼	-0⅜	9.93
E.E.C. 7 91	100	93¼	93¼	0	-0¼	9.65
E.E.C. 7¼ 93	250	†91½	91¾	0	-0½	9.78
E.E.C. 8 90	350	†97¼	97¼	+0¼	0	9.74
E.I.B. 7¾ 93	100	91¼	92¼	-0¼	-0¼	9.73
E.I.B. 9¾ 97	150	†98½	99	0	0	9.58
Elec.De France 9 98	200	95¼	96¼	+0¼	-0¼	9.69
Finland 7⅞ 97	200	†89¼	89¾	-0¼	-0¼	9.81
Finland 7½ 93	200	91½	92	-0¾	-0¼	9.76
Finn.Exp.Cd. 8¼ 92	200	96⅜	96⅜	0	-0¼	9.85
Ford Motor Credit 8 91	250	*†96⅜	96¼	0	0	9.93
Gen.Elec.Cap.Corp. 9 93	500	†96⅜	97¼	-0⅜	-0⅜	9.82
Gen Elec Credit 10⅜ 00	200	†99⅜	100⅜	-0¼	0	10.21
Gen.Mtrs.Corp. 9¼ 92	200	†98⅜	98⅝	0	-0⅜	9.65
Halifax BS 9½ 93	200	†98¼	98⅝	0	-0¼	9.94
IBM Credit Corp. 8⅜ 92	250	98¼	98¾	0	0	9.48
Italy 9 90	1000	*†99¼	99¼	0	0	9.44
Italy 9½ 95	1000	98¼	99¼	-0¼	-0⅜	9.72
Lib. Mutual Cap. 9⅝ 93	150	†97¼	98¼	+0¼	+0¼	9.68
L.T.C.B of Japan 8 91	100	95¼	95¾	-0½	-0⅜	10.00
L.T.C.B. of Japan 8 97	200	89¼	89¾	-0¼	-0⅜	9.98
Metropolis Tokyo 9½ 93	200	99½	100	-0¼	-0¼	9.57
Morgan Guaranty Tst. 7 90	150	*†97¼	97¼	0	+0¼	9.63
Nippon Tel.&Tel. 9⅜ 98	250	97½	98	0	-0⅜	9.73
Norway 8⅜ 93	500	96¾	97⅜	-0¼	0	9.60
Portugal 8⅜ 91	300	†97¼	97⅜	+0¼	+0⅜	9.59
Prudential Crp. 8¾ 94	125	†96¼	97¼	-0⅜	-0⅜	9.48
Qantas Airways 10⅜ 95	140	†102¼	102⅝	+0¼	-0½	9.84
Saskatchewan 10⅜ 92	100	†92⅛	92⅝	-10	-10¼	13.85
State Bk S Aust 9¼ 93	100	†97⅜	98⅜	0	-0¼	9.89
Sumitomo Bank 9⅜ 92	150	99	99½	-0¼	-0¼	9.84
Swed Exp Cred 7¼ 91	100	†93⅜	93⅞	-0¼	-0¼	9.84
Sweden 7 91	250	†93½	94	+0¼	-0⅜	9.66
Sweden 7 92	250	†92⅝	93¼	-0¼	-0¼	9.75
Sweden 8⅜ 96	200	95	93⅜	-0½	-0¼	9.70
Sweden 8½ 92	200	*†97⅜	97⅝	0	0	9.27
Victorian Rep 11⅜ 92	150	104½	105	0	0	9.84
World Bank 7 92	300	†93	93½	-0¼	-0¼	9.63
World Bank 9 97	300	96½	97	+0¼	-0⅜	9.55
World Bank 9¼ 98	300	97¼	97¾	+0¼	-0¼	9.65
Yasuda Trust Fin 8½ 93	100	†94⅝	93⅜	0	-0¼	9.94

Average price change... On day -0⅛ on week -0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101¼	102¼	-0¼	0	5.62
Arts Fin.SVS 5⅞ 92	100	100⅞	101⅜	+0¼	0	5.47
Bank of Tokyo 5¼ 93	100	100¼	101¼	0	-0⅜	5.47
Central BK. Turkey 7 92	200	104	104½	0	+0¼	5.70
Commerzbank o/s. 5¼ 93	300	100¼	100⅝	+0¼	0	5.27
Degussa Intl. 6¼ 97	200	100⅜	101⅜	-1	-0¼	5.96
E.I.B 5½ 98	150	95⅜	93⅜	-0½	-0⅜	6.14
E.I.B 6 97	300	99¼	99⅜	0	0	6.10
E.I.B. 6¼ 96	300	100¼	100⅜	-0¼	-0¼	6.05
E.I.B. 6¼ 97	400	99⅞	100½	0	-0¼	6.10
E.I.B. 6⅞ 95	300	104¼	104⅜	-0¼	-0¼	6.05
Euro.Coal& Steel 5⅞ 97	175	98¼	98⅞	-0¼	-0⅜	6.11
Eurofima 6¼ 96	100	103⅞	104½	-0¼	+2⅜	5.53
Elec De France 5¾ 97	300	97⅜	98½	-0⅜	-0¼	6.03
Forsmark Krtg. 5¼ 93	200	98¼	98⅜	-0¼	-0¼	5.57
I.A.D.B. 6 97	200	99¼	99⅜	0	-0⅜	6.07
Japan Dev. Bk. 5⅜ 95	300	99	99⅜	-0⅜	0	5.49
Japan Finance 5⅞ 97	100	97¼	97⅞	+0½	0	6.15
Ireland 6½ 97	300	101	101½	-0¼	0	6.30
Malaysia 6¼ 94	150	99⅞	100¼	0	0	6.18
Nat. West BK. PLC 6 98	300	97⅜	98¼	-0¼	+0¼	6.32
N.H.L. Finance 6¼ 95	200	†99⅝	100¼	-0¼	-0¼	6.25
Nippon Telg.&Tel. 6 95	400	102⅜	103	+0¼	0	5.92
Oesters. Kontbk. 5 93	300	99	99⅝	0	+0¼	5.21
Portugal 5¾ 92	150	100¼	100⅞	-0½	-0⅜	5.58
Portugal 6¼ 95	150	102¼	102⅞	-0¼	-0¼	6.14
Privatbanken 5¼ 93	150	97⅝	98⅜	-0⅜	-0⅜	5.80
Royal Insurance 5½ 92	300	100¼	100⅜	-0¼	-0⅜	5.32
Soc Gen Nuclear 7⅛ 95	150	103⅞	104⅜	-0½	-1⅝	6.42
Turkey 6⅜ 95	500	97¼	98¼	+0¼	+0¼	6.91
Westlb. Finance 5 93	200	†98⅜	99¼	-0⅜	-0¼	5.27
World BK. 6¼ 97	600	100¼	101¼	-0¼	-0¼	6.05

Average price change... On day -0¼ on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	+0¼	+0½	4.79
Asfinag 5 03	100	†99	99⅜	-0¼	-1¼	5.06
B.F.C.E. 4½ 98	200	†98	99½	+0¼	+0¼	4.66
B.M.W.Fin.Neth. 5 13	150	†96⅜	97	+0¼	+1¼	5.23
Britannia B/S. 4⅜ 94	100	†96⅜	97¼	0	0	4.83
CIR. Int. W/W 3 93	125	†95	97	+0¼	-0½	3.98
Credit Lyonnais 4⅜ 00	100	†97⅜	97⅜	+0½	+0⅜	5.03
E.I.B 4⅜ 98	150	†98⅜	99⅜	-0¼	-0⅝	4.75
Fletcher Chall. 4⅞ 98	150	†96½	97	0	-0¼	5.32
Kobe City 4⅝ 98	150	†97⅜	98⅜	-0¼	-0¼	4.91
Leeds Perm. B/S. 4¼ 93	200	†97⅜	97⅜	-0⅜	+0⅜	4.75
Malaysia 5¼ 98	100	†98	99	-0⅜	-0⅜	5.45
Maxwell Comm.Crp. 5 95	150	†101	101½	0	+0¼	4.76
Nat.Bk. Hungary 5½ 94	75	†98¼	98⅜	0	+0¼	5.83
Nationwide Ang.B/S. 4 93	200	†96¼	96⅜	+0⅜	+0¼	4.85
Nippon Telg.&Tel 4⅜ 95	200	†98½	98⅜	0	0	4.49
Oesters.Ktbk. 5 03	75	†101	102	+0⅜	+1¼	4.85
Prov. New Foundland 5 03	150	†100½	100¼	0	0	4.94
Thailand 4⅝ 95	200	†95⅜	96⅜	-0¼	0	5.36
World Bank 5 03	150	†100	100⅜	+0¼	+0¼	4.97

Average price change... On day +0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	102¼	102½	0	0	4.70
Belgium 4⅛ 94	45	98½	98¾	0	0	4.91
Canada 4⅛ 92	80	99	99¼	-0½	-0⅛	4.65
Elec. De France 5⅜ 94	20	101	101½	0	0	4.84
Ireland 5⅛ 93	30	100¼	100¼	0	0	4.99
Norway 5⅜ 95	50	101¼	101¼	0	0	4.88
Rep. of Italy 5⅜ 92	150	103¼	103⅜	-0¼	-0¼	4.60
Sweden 4⅛ 93	50	99¼	99¼	0	-0⅛	4.75
World Bank 5½ 92	50	103	103¼	0	0	4.55

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS. 10⅜ 93 £	50	98	98¼	-0¼	-0½	10.83
Alg. Bk. Ned. 5½ 92 FL	150	99	99⅜	0	+0¼	5.81
Alg. Bk. Ned. 5⅜ 93 FL	200	98⅝	99⅜	0	0	6.05
Amro Bank 6⅜ 92 FL	150	101¼	101¼	-0¼	0	5.80
Aust.Ind.Dev. 12⅞ 93AS	100	96	96⅜	-0¼	+0¼	13.98
Barc. Bk. 10⅜ 97 £	250	95	95½	-0¼	-0½	11.11
Barclays Aus. 13⅜ 91 AS	100	99½	100	-0¼	0	13.55
BP Capital 9⅝ 93 £	100	95¼	93½	-0⅜	-0½	11.18
British Airways 10 98 £	100	91⅞	92⅜	-0¼	-0⅜	11.42
Buhrmann-Tet. 6⅜ 93 FL	100	100⅞	100⅞	+0¼	0	6.20
Comm. Bk Aust. 12⅝ 93AS	100	96¼	96⅜	-0¼	+0⅜	13.49
Coop.Ctr.Rabo.6⅛ 93 FL	100	100¼	100⅜	0	0	6.14
Coop.Ctr.Rabo.6 92 FL	200	100¼	100¼	+0¼	+0¼	5.78
Denmark 7⅛ 92 ECU	100	†100½	101	0	0	7.46
Dixons 11 95 £	90	†91¼	92¼	-4¼	-4¼	12.31
Deut. Bk.Aust. 12⅞ 93 AS	70	99¼	100⅜	-0¼	+0¼	12.72
Eastman Kodak 13 90 AS	100	97	97¼	+0¼	+0⅜	14.86
E.I.B. 7 96 LFr	100	*†98¼	98¾	0	0	7.28
Elec.France 10¼ 95 C$	125	†98⅞	99¼	-0¼	+0¼	10.42
Euratom 7⅛ 97 ECU	145	95¼	95⅜	-0¼	-0¼	8.15
Fed.Bus.Dv.Bk. 9⅜ 92 C$	75	†97¼	97¼	0	+0¼	10.61
Ford Cr. Can. 10⅜ 93 C$	100	†100	100½	0	+0¼	10.65
Gillette Can. 9⅝ 93 £	70	†92	92¼	-0¼	-0½	11.82
G.M.A.C. 9⅜ 93 C$	150	†96⅜	96⅜	+0¼	+0½	10.73
G.M.A.C Aus.Fin. 14 90 AS	50	100⅜	100⅜	-0¼	0	13.45
Halifax BS 10⅜ 97 £	100	†94¼	95⅜	-0½	-0⅞	11.33
Imp Chem Inds 10 03 £	100	†92¼	93	-0⅜	-0¼	11.01
Inv.Industry Int. 10 93 £	60	†95¼	95⅜	-0½	-0¼	11.35
Lloyds Bank 10¼ 98 £	150	93¼	93⅜	-0⅜	-1	21.44
Lloyds Bank 11⅜ 98 £	100	98⅜	98⅜	-0¼	-0⅜	11.63
Montreal Tst. 10¼ 93 C$	100	†99⅜	99⅞	+0⅜	+0¼	10.82
Nat. West. Bk. 13¼ 92 AS	50	†99⅜	99⅞	0	-0¼	13.22
Nationwide BS 10⅛ 93 £	75	95½	96¼	-0¼	-0¼	21.41
Ned. Midd. Bank 6 92 FL	150	100¼	100⅜	+0¼	0	5.86
New Zealand 9½ 93 £	100	99¼	94½	-0⅜	-0½	11.22
New Zealand 7⅛ 93 ECU	200	†97⅜	98¼	0	-2½	8.32
Oesters. Ktbk. 13⅛ 94 AS	75	†101¼	102¼	+0⅞	+0⅞	13.05
Philips Gleoil. 6 93 FL	300	99¼	99¼	-0⅜	+0¼	6.12
Prudential Fin. 9⅜ 07 £	150	87⅝	88¼	-0¼	-0¼	10.91
Royal Bk.Scot. 10¼ 98 £	125	94⅝	93¼	-0½	-0¼	21.99
Saskatchewan 9⅜ 91 C$	150	†98	98¼	0	+0¼	10.64
Saskatchewan 10⅜ 93	200	98¼	98½	-0½	-0⅜	10.71
S.O.R. 7¼ 95 ECU	90	99	99½	0	0	7.90
Union Bk. Switz. 7½ 93	150	100⅞	101⅜	-0¼	-0¼	7.21
World Bank 5¼ 92 FL	100	99	99½	0	-0⅜	6.00
World Bank 13⅛ 92 AS	100	†99¼	100⅜	-0¼	+0⅜	13.30
Zentrspk. 13¼ 93 AS	75	98⅜	99¼	0	+0⅜	13.50

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.75	99.80	21/01	10.99
Belgium 91 US	0	100.14	100.24	21/02	9
Britannia 5 93 £	0⅛	99.95	100.00	10/01	12.12
Chase Manhattan Crp. 91 US	0¼	99.53	99.70	22/02	8.94
Citicorp 98 US	10⅜	97.90	98.15	28/02	9.62
Credit Foncier 98 US	.063	99.63	99.73	20/04	8.44
EEC 3 92 DM	10	100.93	101.03	22/02	5.63
Halifax BS 94 £	.1	99.91	99.95	8/02	12.29
Invt. in Industry 94 £	0	99.51	99.61	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	13/01	10.44
Midland Bank 01 £	.1	96.25	97.25	11/02	11.41
Milk Mkt. Brd. 5 93 £	0¼	100.05	100.09	30/12	12.06
New Zealand 5 97 £	.07	100.18	100.28	20/02	12.16
New Zealand 5 01 US	0	99.81	99.91	4/02	8.62
State Bk. New. 98 US	.188	100.31	100.41	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.94	100.00	13/01	12.12
Woolwich 5 98 £	0⅛	99.80	99.84	21/02	12.37

Average price change... On day +0.05 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	104⅜	105⅜	+0¼	16.78
Amer. Brands 7⅛ 02 US	9/87	56.7	116⅝	117¼	-0⅛	1.58
Ashikaga Bank 2⅛ 02 US	†4/87	967.	151	152	+0⅜	3.50
Asics 5 92 DM	12/83	472.7	214½	215⅞	+0¼	6.59
CBS. Inc. 5 02 US	†4/87	200.	92¼	93¼	0	8.80
Comm. Credit 5⅛ 02 US	4/87	66.75	64¼	65¼	+0¼	54.36
Eng.China Clay 6⅛ 03 £	9/88	4.8	99⅝	100¼	+0½	4.87
Fujitsu 3 99 US	†5/84	1106.	250½	251½	0	-0.41
Land Secs. 6⅜ 02 £	6/87	6.72	91½	92½	-0⅜	13.86
MCA INC 5½ 02 US	9/87	69.62	81⅝	82⅝	-0⅛	25.67
Minolta Camera 2¼ 94DM	2/86	1004.	98⅜	99½	+0¼	17.04
Mitsubishi Bk. 1⅜ 02 US	†9/87	3157.	133½	134½	0	-1.98
Mitsui trust 2⅜ 01 US	†10/86	1903.	138	140	-11	-5.28
Next PLC 5¼ 03 £	11/87	4.3	97⅝	98⅝	+0¼	199.25
Nishi Nipp.Bk. 2⅜ 03 US	†4/88	804.	117¼	118¼	-5	2.90
Omron Tateisi 2⅝ 02 US	†4/87	1310.	223	225	0	-0.69
Ranks Hovis 4⅜ 03 £	†1/88	3.5	108	109	0	9.12
Redland 7¼ 02 £	1/87	5.4	88¼	89¼	0	13.14
Saatchi&Sachi. 6¼ 03 £	†10/89	4.41	93⅜	94⅜	0	25.95
Texas Inst. 2⅜ 02 US	†9/87	82.87	73⅜	74⅜	+0¼	49.61
W.R. Grace 6¼ 02 US	9/87	42.12	81⅝	82⅝	0	32.65

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; [illegible] Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

Bonds lead stock trade in Germany

By Haig Simonian in Frankfurt

FIXED-INCOME bonds confirmed their dominance in West German stock market trading last year, according to figures from the Federation of German Stock Exchanges, which show total market turnover on the country's eight bourses rising sharply in 1988.

Overall bourse trading climbed 26 per cent to DM2.56bn ($1.44bn) from DM2.03bn in 1987, the first year the total topped DM2bn.

Turnover in bonds rose to DM1.84bn from DM1.19bn, meaning that bonds now account for almost 72 per cent of total bourse turnover compared with 58 per cent in 1987 and confirming a trend emphasised after the October 1987 stock market crash.

By contrast, total equity turnover on the eight bourses fell to DM716m from DM849m, or 28 per cent of the total from 42 per cent. Moreover, the statistics for equity trading volume, which are based on share values, have been swollen by the substantial rise in German share prices during 1988, when leading equity indicies closed the year at post-crash peaks.

"The year 1988 was one of regeneration and stabilisation" for the German markets, says the federation. It does not break down its figures by axchange, but statistics from the Frankfurt bourse confirm it has widened its substantial lead in German finance.

Bonds and shares to the value of DM1.82bn changed hands in Frankfurt last year, up from DM1.36bn in 1987.

We mourn the passing of

Mark A. Rein

our beloved Friend

Treasurer of Salomon Inc and Salomon Brothers Inc

Salomon Brothers Inc

December 21, 1988

National Home Loans Blue Chip Interest Rate

for the period from 1st January to 31st March 1989 is:

FOR HOUSE PURCHASE 14.188% APR 15.1%
FOR REFINANCING 14.688% APR 15.7%

For further information contact:

National HomeLoans

The National Home Loans Corporation plc
St. Catherine's Court, Herbert Road,
Solihull, West Midlands B91 3QE.

CREDIT D'EQUIPEMENT
DES PETITES ET MOYENNES ENTREPRISES
£100,000,000
Guaranteed Floating Rate Notes due 1996

For the three months 28th December, 1988 to 28th March, 1989 the Notes will carry an interest rate of 13⅛% per annum and coupon amount of £161.82 per £5,000 Note and £1,618.15 per £5,000 Note, payable on 28th March, 1989.

Bankers Trust Company, London — Agent Bank

ONE DAY CONFERENCE LONDON 12 JANUARY 1989

1992: PROFITING FROM CHANGE

OPPORTUNITIES FOR BANKS, INSURANCE AND INVESTMENT COMPANIES IN THE NEW EUROPEAN MARKET

Financial Product Development for the 1990s
Spotlight on Italy and Spain

Keynote Speaker: Peter Grant, Chairman Sun Life Assurance Society

Further details: Philippa Munday, Conference Administrator
Millstream Europe Limited
UK Nos Tel: 0730 85 711 Fax: 0730 85 768

Notice of Early Redemption

Kansallis-Osake-Pankki
(the "Bank")
U.S. $100,000,000
Floating Rate Capital Notes 1992

NOTICE IS HEREBY GIVEN that in accordance with Condition 5(c) of the Notes, the Bank will redeem all of the outstanding Notes at their principal amount on the next interest payment date, being 6th February, 1989, when interest on the Notes will cease to accrue. Repayment of principal will be made upon presentation of the Notes at the offices of the Paying Agents listed below.

Paying Agents

Bankers Trust Company, Dashwood House, 69, Old Broad Street, London, EC2P 2EE.
Bankers Trust Luxembourg S.A., P.O. Box 807, 14, Boulevard F.D. Roosevelt, L-2450 Luxembourg.

Accrued interest due 6th February, 1989 will be paid in the normal manner against presentation of Coupon No. 10, on or after 6th February, 1989.

Bankers Trust Company, London — Agent Bank

4th January, 1989.

The Kingdom of Thailand
U.S. $85,000,000
Floating Rate Capital Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the second three months of the Interest Period ending on 31st March, 1989 has been fixed at 9⅝% per annum. The interest accruing for such a three-month period will be U.S. $121.65 in respect of the U.S. $5,000 denomination and U.S. $6,082.47 in respect of the U.S. $250,000 denomination and will be payable together with the interest for the first three months of the said Interest Period on 31st March, 1989 against surrender of Coupon No. 10.

Bankers Trust Company, London — Agent Bank

James Hardie Industries Limited

Incorporated in New South Wales

	Six months to 30 September 1988	Change from previous year
Sales	$A902.9 million	+ 9.6%
Profit before tax	$A 55.9 million	+23.2%
Profit after tax & minorities	$A 40.0 million	+16.4%
Earnings per share for 6 months	14.9 cents	+13.7%

James Hardie – one of Australia's largest manufacturing companies whose main activities are building materials and paper merchanting and conversion:

- performed strongly in a buoyant Australian housing market.
- increased exports of fibre cement product to the USA where its first plant is under construction.
- floated Spicers Paper, retaining 45 per cent of the equity and strengthening the Group balance sheet.
- will frank dividends not less than 50 per cent from August 1989.

For further information on the Group, please write to the Company Secretary at James Hardie Industries Limited, 65 York Street, Sydney, NSW 2000, Australia.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday January 3 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Dec 30 Index No.	Thu Dec 29 Index No.	Wed Dec 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	775.54	-0.8	12.06	4.59	10.15	0.00	781.53	784.38	774.87	726.52
2 Building Materials (28)	939.06	-1.5	13.57	4.85	9.07	0.00	952.97	959.35	943.66	960.76
3 Contracting, Construction (39)	1468.31	-1.0	13.50	4.15	9.66	0.00	1482.64	1487.41	1471.60	1385.83
4 Electricals (10)	2294.30	-0.6	9.44	4.92	12.78	0.00	2307.49	2317.60	2290.95	2017.73
5 Electronics (30)	1776.44	-0.2	10.56	3.67	12.26	0.00	1779.76	1781.94	1762.45	1515.63
6 Mechanical Engineering (55)	406.34	-1.0	11.72	4.59	10.38	0.00	410.62	411.49	406.70	370.62
8 Metals and Metal Forming (7)	452.62	-0.7	17.08	6.52	6.61	0.00	455.86	457.56	454.77	444.96
9 Motors (17)	258.24	-0.9	12.66	5.13	9.16	0.00	260.62	261.26	259.13	266.12
10 Other Industrial Materials (23)	1311.63	-0.4	10.39	4.76	11.37	0.00	1316.37	1323.94	1304.37	1239.78
21 CONSUMER GROUP (188)	1016.74	-0.8	10.16	4.11	12.34	0.00	1024.42	1028.63	1018.52	1028.25
22 Brewers and Distillers (21)	1112.42	-0.1	11.39	4.01	10.96	0.00	1113.47	1116.40	1114.81	992.61
25 Food Manufacturing (21)	926.04	-0.7	9.85	4.16	12.74	0.00	932.96	934.59	923.36	835.25
26 Food Retailing (16)	1784.64	-0.8	10.17	3.92	12.94	0.00	1799.24	1813.42	1781.29	2084.72
27 Health and Household (13)	1778.20	-0.9	7.55	3.04	15.18	0.00	1794.29	1814.38	1803.42	1736.66
29 Leisure (32)	1346.22	-0.3	8.70	3.75	14.67	0.00	1350.71	1354.61	1341.78	1142.19
31 Packaging & Paper (17)	523.08	-0.7	10.66	4.31	11.67	0.00	526.54	527.13	521.91	581.88
32 Publishing & Printing (19)	3246.22	-0.4	9.42	4.73	13.28	0.00	3258.70	3265.82	3220.74	3366.93
34 Stores (34)	679.97	-1.8	12.51	5.06	10.51	0.00	692.74	693.00	683.26	842.80
35 Textiles (15)	464.71	—	15.00	6.08	7.99	0.00	464.58	464.46	460.85	592.55
40 OTHER GROUPS (91)	896.15	-0.5	11.70	4.80	10.44	0.00	901.08	903.60	895.56	846.46
41 Agencies (18)	1030.84	-1.1	9.79	2.85	12.91	0.00	1041.97	1048.66	1042.63	1078.95
42 Chemicals (22)	1026.37	-0.4	12.42	5.13	9.67	0.00	1030.78	1039.46	1026.93	1068.18
43 Conglomerates (12)	1254.94	-0.6	11.77	5.70	9.85	0.00	1262.81	1267.46	1249.42	1095.57
45 Shipping and Transport (12)	1844.30	-0.9	10.78	4.52	12.12	0.00	1861.87	1865.55	1850.95	1718.96
47 Telephone Networks (2)	1002.43	-0.4	11.72	4.69	11.09	0.00	1006.66	1005.09	999.82	894.88
48 Miscellaneous (25)	1187.15	-0.4	12.12	4.63	9.38	0.00	1191.51	1194.40	1184.31	1156.02
49 INDUSTRIAL GROUP (488)	935.74	-0.7	11.11	4.43	11.13	0.00	942.33	945.74	936.09	910.09
51 Oil & Gas (12)	1725.77	—	10.72	6.45	11.94	0.00	1725.48	1743.64	1740.88	1708.53
59 500 SHARE INDEX (500)	1002.81	-0.6	11.05	4.71	11.23	0.00	1008.87	1013.49	1004.35	977.77
61 FINANCIAL GROUP (127)	670.86	-0.5	—	5.28	—	0.00	674.24	676.16	672.11	641.54
62 Banks (8)	657.74	-0.7	21.55	6.59	6.22	0.00	662.09	663.25	661.63	642.94
65 Insurance (Life) (8)	937.46	-0.4	—	5.75	—	0.00	941.25	945.86	932.65	978.48
66 Insurance (Composite) (7)	528.72	-0.3	—	5.91	—	0.00	530.28	533.33	524.52	584.18
67 Insurance (Brokers) (7)	916.68	—	9.55	7.09	13.00	0.00	917.20	925.20	911.09	985.93
68 Merchant Banks (11)	318.05	-0.4	—	4.71	—	0.00	319.29	317.15	319.05	344.31
69 Property (54)	1198.13	-0.7	5.91	2.88	21.57	0.00	1206.26	1211.88	1208.71	975.44
70 Other Financial (32)	342.99	-0.1	10.21	5.75	12.22	0.00	343.33	342.36	341.22	385.36
71 Investment Trusts (76)	922.04	-0.5	—	3.29	—	0.00	926.82	927.43	916.98	784.91
81 Mining Finance (2)	561.50	-0.7	10.89	3.72	10.24	0.00	565.31	568.04	564.57	447.70
91 Overseas Traders (8)	1273.76	-0.2	9.20	4.97	12.61	0.00	1276.92	1278.69	1272.91	969.88
99 ALL-SHARE INDEX (713)	921.22	-0.6	—	4.74	—	0.00	926.59	930.43	922.51	886.50

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 30	Dec 29	Dec 28	Dec 23	Dec 22	Year ago
FT-SE 100 SHARE INDEX‡	1782.8	-10.3	1790.7	1782.4	1793.1	1803.4	1787.7	1774.0	1768.7	1747.5

FIXED INTEREST

PRICE INDICES	Tue Jan 3	Day's change %	Fri Dec 30	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.27	-0.08	118.37	—	0.00
2 5-15 years	133.41	-0.19	133.67	—	0.00
3 Over 15 years	146.10	-0.10	146.25	—	0.00
4 Irredeemables	168.12	-0.33	168.67	—	0.00
5 All stocks	131.41	-0.15	131.60	—	0.00
Index-Linked					
6 5 years	129.61	-0.01	129.63	—	0.00
7 Over 5 years	126.38	+0.01	126.37	—	0.00
8 All stocks	126.44	—	126.44	—	0.00
9 Debentures & Loans	116.18	+0.05	116.12	—	0.00
10 Preference	86.28	+0.39	85.95	—	0.00

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 3	Fri Dec 30	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.49	10.39	8.80
2	15 years	9.14	9.54	9.49
3	25 years	9.03	9.10	9.34
4 Medium Coupons	5 years	10.64	10.61	9.45
5	15 years	9.71	9.76	9.69
6	25 years	9.26	9.35	9.58
7 High Coupons	5 years	10.89	10.81	9.54
8	15 years	9.85	9.87	9.83
9	25 years	9.26	9.39	9.57
10 Irredeemables	†	9.02	8.99	9.26
Index-Linked				
11 Inflation rate 5%	5yrs.	3.86	3.84	2.93
12 Inflation rate 5%	Over 5 yrs.	3.79	3.79	4.01
13 Inflation rate 10%	5 yrs.	2.64	2.62	3.39
14 Inflation rate 10%	Over 5 yrs.	3.62	3.62	4.10
15 Debs & Loans	5 years	11.70	11.47	11.05
16	15 years	11.30	11.22	11.02
17	25 years	10.94	10.96	11.02
18 Preference	§	10.40	10.43	10.84

‡Opening index 1783.2; 10 am 1783.9; 11 am 1789.8; Noon 1789.7; 1 pm 1790.3; 2 pm 1787.4; 3 pm 1788.8; 4 pm 1787.1; 4.05 pm 1786.8 (a) 1.08pm (b) 9.06am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p. Year End Constituent Changes: INSERTIONS: Blenheim Exhibitions Group, Group 41-Agencies; Eurotunnel (half market capitalisation), Group 45-Shipping & Transport; Premier Consolidated Oilfields, Group 51-Oil & Gas; Stanhope Properties & Randsworth Trust, Group 69-Property; London Forfaiting, Group 70-Other Financial; United Friendly Insurance 'B', Group 65-Life Insurance. DELETIONS: Carless, Group 51-Oil & Gas, Gent (SR), Group 35-Textiles & Ocean Wilsons Holdings, Group 45-Shipping & Transport. RECLASSIFICATIONS: Avis, from Agencies to Motors; Carlton Communications, from Agencies to Leisure; IMI, from Metals & Metal Forming to Mechanical Engineering.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	94	8
Corporations, Dominion and Foreign Bonds	6	24	21
Industrials	263	457	860
Financial and Properties	77	195	398
Oils	16	35	53
Plantations	0	1	12
Mines	37	58	94
Others	40	115	93
Totals	448	979	1,539

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-	Net Div.	Times Covrd.	Gross Yield	P/E Ratio
58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	[illegible]	[illegible]	[illegible]	[illegible]	BTR Warrants	[illegible]	[illegible]	-	-	-	-
†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§135	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
125	[illegible]	[illegible]	[illegible]	[illegible]	British Steel 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§70	F.P.	6/1	82	72	‡Channel Express 10p	74		R2.1	3.0	3.8	10.7
245	F.P.	-	259	243	Compass Group 5p	259	+1	R7.2	2.7	3.7	13.4
§154	F.P.	13/1	158	141	Devonsgroup	154	+1½	R4.75	2.6	4.1	11.1
084	F.P.	-	95	84	‡EW Fact 5p	88		b3.0	2.3	4.5	9.2
§190	F.P.	13/1	190	182	‡Embassy Property 10p	187		L6.0	1.4	4.3	11.9
§85	F.P.	-	152	85	*Haemocell 1p	146		-	-	-	-
§110	F.P.	9/1	133	110	‡Metro Radio 5p	133	+2	L3.0	2.3	3.0	15.3
§120	F.P.	-	120	106	‡Planning Resch. & Sys10p	108	+2	R3.5	2.8	4.3	9.5
§66	F.P.	-	69	63	‡Safeland 5p	63		R2.6	3.2	5.5	6.2
§117	F.P.	-	118	110	‡Sandell Group 10p	118		14.4	1.8	5.0	11.6
§140	F.P.	-	148	141	Secure Trust 1p	146	-2	W7.09	2.3	6.5	9.0
§95	F.P.	-	98	93	‡Western Plant 5p	98		L3.25	1.5	4.4	12.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
100p	F.P.	-	96p	85p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	88p	-1
100p	F.P.	-	105p	103p	‡Apollo Metals 8p(Net) Cm Rd Pf 10p	103p	
100p	F.P.	-	100¼p	98½p	Arlington Sec. 9½pc Cm. Rd. Pf. 2008	99p	
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	110p	+1
100.3p	F.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	96p	
100	F.P.	-	104	100	Cable & Wireless 7pc Cv Un Ln 2008	104	
§100p	F.P.	-	99¼p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	99½p	
100p	Nil	-	1pm	¼pm	‡Cityvision 8.5pc Cv Cm. Rd. Pf.	1pm	
§100p	F.P.	-	100¼p	93p	Jessups 7.5p(Net) Cv Cm Rd Pf 50p	93p	-3
100p	F.P.	-	58p	54p	Kelt Energy 6pc(Net) Cv Cm Rd Pf £1	58p	
100p	F.P.	-	96p	86p	Leisure Invs 7pc Cm Cv Rd Pf(1988) £1	94p	-2
100p	F.P.	-	98p	89p	Mecca Leisure Grp. 7.25p Cv Pf 20p	90p	
§100	F.P.	-	100	99[illegible]	N'wide Anglia 12[illegible]pc 2.6.90	99[illegible]	-[illegible]
§100p	F.P.	-	96p	90p	Parkfield Grp 9pc(Net)Rd Pf '10/13 £1	90p	-2
§100p	F.P.	-	100p	88p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	94p	+1
†100p	F.P.	-	85p	80p	‡Thorpac 8p Cv Rd Prg Pf '01-'05 50p	85p	
100p	F.P.	-	104p	93p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	94p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
165	Nil	2/2	16pm	7pm	Haden MacLellan 20p	10pm	-2
98	Nil	3/2	8pm	8pm	Lees (John J.) 10p	8pm	
25	Nil	-	4pm	3pm	Munton Group 20p	3pm	
220	Nil	27/12	4pm	1¼pm	‡Partway Group	2pm	-1
300	Nil	-	¼pm	¼pm	Peel Hldgs.	¼pm	
16	Nil	6/1	2½pm	1pm	‡Resort Hotels 10p	1½pm	
2½	Nil	2/2	1pm	½pm	*Swanyard Studios 1p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings — Dec 19
- Last Dealings — Jan 6
- Last Declarations — Mar 30
- For settlement — Apr 10

For rate indications see end of London Share Service

Calls in Int City Hldgs, News Int, Atlantic Res, Wimpey, Tusker Res, Owners Abroad, Lowndes Q'Way, Br Steel, Sears.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allied Lyons (*437)	420	22	41	51	4	11½	19½
	460	3	18	32	26	32	38
Brit. Airways (*157)	140	19	25	29	1½	3	7
	160	4	11	15	6	10	14
Brit. & Comm. (*206)	200	11	20	24	4	7	10
	220	2	9	12	18	19	21
	240	½	3	6	36	38	39
B.P. (*254)	240	16½	20½	27	½	6¼	9½
	260	3¼	7½	13	8½	17½	19
British Steel (*61)	50	11¼	13	14½	½	1	2
	60	2¼	5½	7	1¼	3	6
	70	½	1¼	2¼	10	10	12½
Bass (*794)	750	50	77	105	3	9	15
	800	16	43	68	18	25	30
Cable & Wire (*374)	360	19	38	45	3	11	16
	390	3	18	28	19	25	32
Cons. Gold (*1252)	1200	85	150	185	25	63	85
	1250	55	125	160	45	85	110
	1300	30	105	140	73	110	135
Courtaulds (*265)	260	12	25	30	6	11	20
	280	3½	13	20	10	22	31
Com. Union (*336)	330	12	23	31	6	14	19
	360	3	7	14	26	35	37
G.K.N. (*295)	280	19	27	34	3	10	15
	300	5	14	22	10	21	24
Grand Met. (*428)	420	15	25	40	5	15	20
	454	2	11	—	28	38	—
I.C.I. (*1015)	1000	28	53	80	12	35	40
	1050	8	27	55	40	65	70
Jaguar (*264)	260	11	20	32	5½	16	22
	280	3½	11	22	19	28	32
Land Securities (*535)	500	40	60	72	2	10	18
	550	10	28	42	23	28	35
	600	2	10	22	68	68	70
Marks & Spencer (*150)	140	14	20	22	2	4	5½
	160	2	6½	11	11	11½	12½
	180	½	2½	4½	31	31	32
STC (*268)	260	12	23	33	3	11	13
	280	3	13	22	15	21	23
Sainsbury (*199)	180	21	27	31	1	3½	6
	200	6½	14	19	7	10	14
Shell Trans. (*329)	317	17	24	33	2	5	10
	333	6	14	23	9	18	19
	350	2	7	13	22	29	30
Storehouse (*196)	180	22	31	38	5½	9	15
	200	8½	22	26	13	17	23
Trafalgar House (*291)	280	18	30	32	4	8	13
	300	6	16	21	12	13	22
Utd. Biscuits (*287)	280	13	30	37	6	13	17
	300	6	19	26	17	25	27
Ultramar (*292)	280	—	—	45	—	—	23
	294	12	25	—	15	26	—
	300	—	—	33	—	—	33
Woolworth (*235)	220	20	30	32	3	7	10
	240	6	14	18	8	12	16

Option		Jan	Apr	Jul	Jan	Apr	Jul
Boots (*228)	220	—	22	29	—	7½	11½
	240	—	10	16	—	16½	21

Option		Jan	Apr	Aug	Jan	Apr	Aug
GEC (*189)	160	30	33	38	1	2¼	4
	180	12	17	24	2½	8	10
	200	3	8	13	15	18	22

Option		Jan	Apr	Jun	Jan	Apr	Jun
Rolls-Royce (*132)	130	5	11	13	3	6	9
	140	1½	5½	8	9	12	16
TSB (*109)	100	10	11	14	½	3	3
	110	3	4½	7½	4	5½	7
	120	1	2½	3½	12	14	14

Option		Feb	Apr	Jul	Feb	Apr	Jul
Ladbroke (*432)	420	25	34	45	7	11½	16½
	460	6½	13½	24	30	31	37

Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*420)	420	20	28	40	14	28	32
	460	5½	13	22	43	53	58
BAA (*269)	260	16	27	33	4	6	9
	280	5½	13	21	14	16	21
BAT Inds (*451)	420	40	50	59	2½	10	13
	460	12½	22	35	16	26	33
Brit. Telecom (*256)	240	22	30	38	3	4½	9
	260	7	13	21	9	12	15
Cadbury Schweppes (*331)	330	20	30	41	14	21	24
	360	8	18	27	32	40	42
Guinness (*336)	300	44	48	56	1½	4	5
	330	18	26	34	8	12	14
	360	4	10	17	26	30	32
LASMO (*481)	460	50	70	83	12	30	35
	500	28	48	60	38	50	53
	550	11	30	—	73	80	—
P. & O. (*522)	500	35	47	55	6	18	20
	550	10	18	28	32	43	45
	600	3	7	12	82	85	85
Pilkington (*204)	200	10	18	22	6	10	13
	220	4	9	13	18	21	25

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
Plessey (*225)	200	31	39	44	3	7	10
	220	16	25	30	9	13	17
Prudential (*153)	140	17	19	21	3	4	5
	160	4	7	9	10	14	15
	180	1	3	—	29	31	—
Racal (*276)	260	26	36	43	5	10	14
	280	12	22	30	14	18	23
R.T.Z. (*423)	390	43	58	67	4	14	18
	420	21	37	48	16	27	30

Option		Feb	May	Sep	Feb	May	Sep
Vaal Reefs (*$68)	60	12	14	13	2	5½	5
	70	4½	8	9	8	10	12

Option		Mar	Jun	Sep	Mar	Jun	Sep
Amstrad (*175)	160	23	33	39	7	12	14
	180	12	23	27	16	20	23
	200	6½	14	—	29	32	—
Barclays (*405)	390	30	32	40	11	13	10
	420	12	17	23	30	30	35
	460	3	6	—	68	60	—
Blue Circle (*419)	390	44	50	62	6	12	16
	420	24	30	42	16	26	30
Dixons (*132)	130	10½	14½	10	7	11	14
	140	5½	9	—	12	14	—
Glaxo (*1064)	1050	70	102	137	30	43	50
	1100	45	74	107	55	67	72
Hawker Sidd. (*539)	500	58	67	78	7	14	19
	550	26	34	49	23	37	41
	600	9	15	—	65	75	—
Hillsdown (*237)	220	28	33	38	2	4½	6
	240	13	19	23	10	11	13
Lonrho (*340)	330	38	55	60	28	38	46
	360	25	41	48	44	37	64
Midland Bk (*408)	390	30	30	45	11	13	10
	420	10	20	27	28	28	32
Sears (*110)	110	10	13½	16½	6½	10	13
	120	5½	8½	11	13	16½	10
Trusthouse Forte (*249)	240	10	28	34	9½	12½	16
	260	9	17	23	23	25	27
Thorn EMI (*627)	600	52	67	72	12	20	27
	650	20	35	42	34	48	50
Wellcome (*403)	390	34	48	62	12	13	10
	420	18	34	44	25	29	32

Option		Jan	Mar	Jun	Jan	Mar	Jun
British Gas (*158)	140	19	22	27	½	1½	2
	160	2½	7	12½	4½	6¼	8

Option		Jan			Jan		
RHM (*346)	330	22	—	—	4½	—	—
	360	6½	—	—	22	—	—

Option		Mar	Jul	Oct	Mar	Jul	Oct
Beecham (*464)	460	30	46	58	15	24	27
	500	12½	27	38	39	46	48
Unilever (*465)	460	26	40	52	14	20	25
	500	9	21	32	41	46	47

Option		Mar	May	Aug	Mar	May	Aug
BTR (*295)	280	26	27	35	4	8	10
	300	12	14	23	10½	17	19
Hanson (*155)	140	19½	22	24	1½	2	2½
	160	5	7½	11	7	8	10
Tesco (*133)	130	10	12	16	5½	8	9
	140	4½	7	11	11	13	14

Option		Jan	Mar		Jan	Mar	
Enterprise Oil (*462)	460	20	43	—	18	37	—
	500	9	26	—	45	61	—
Scot. & Newcastle (*389)	360	31	42	—	2	8	—
	390	7	25	—	7	20	—
	420	1½	14	—	33	36	—

Option		Feb	May	Aug	Feb	May	Aug
Conv. 9½% 2005 (*99)	98	[illegible]	—	—	[illegible]	—	—
	100	[illegible]	—	—	[illegible]	—	—
	102	[illegible]	—	—	[illegible]	—	—
Tr. 12% 1995 (*106)	106	—	—	—	[illegible]	—	—
	110	[illegible]	—	—	—	—	—
	112	[illegible]	—	—	—	—	—

Option		Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr
FT-SE Index (*1787)	1650	152	—	—	—	3	—	—	—
	1700	105	118	132	143	5½	12	16	22
	1750	60	79	92	105	11	21	26	33
	1800	26	44	55	73	27	39	45	52
	1850	8	21	32	45	65	70	75	83
	1900	3	9	17	27	115	115	117	120
	1950	1½	3	—	—	165	165	—	—

January 3 Total Contracts 17,462 Calls 10,752 Puts 6,710
FT-SE Index Calls 2,103 Puts 4,607
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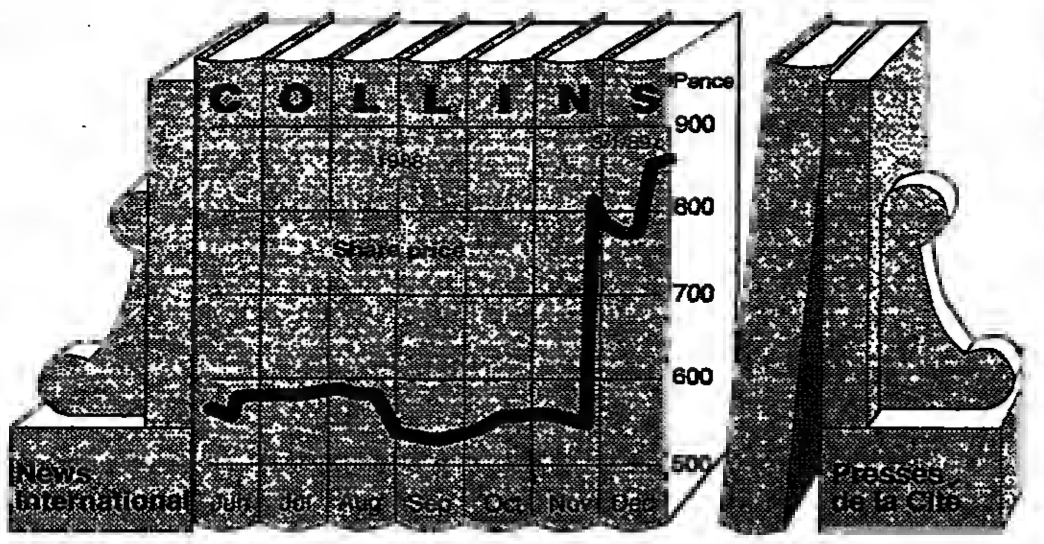
Wood Gundy Inc.

December 1988

A remedy for language shortcomings

George Graham on the speculation surrounding a white knight move for Wm Collins



GROUPE de la Cité, the second largest book publisher in France, maintained a stony silence yesterday abont its intentions towards William Collins, the UK publisher facing a £408m hostile bid from Mr Rupert Murdoch's News International.

Tha French company emerged last week as a potential white knight for Collins, when Schroders, the UK merchant bank acting for Collins, revealed that an unnamed client was willing to pay 880p and 735p respectively for Collins ordinary and non-voting "A" shares. That compared with the 640p and 535p terms then on the table from Murdoch.

Last Friday, News matched the proposed higher offers, and repeated its intention not to accept any rival bid for its own 41.7 per cent stake in Collins, which it has held since its abortive first bid for the publisher in 1981.

Collins appears to be tailor-made for Group de la Cité, which was created less than a year ago through a merger of the book interests of CEP Communication and Générale Occidentale.

Collins would remedy Groupe de la Cités English language shortcomings, besides matching closely the French group's educational and reference book leanings.

Although English-language publishing accounts for more than half of the total world market, Groupe de la Cité has so far failed to follow its French rival, Hachette, which last year took a major step into the US market with the $450m purchase of the encyclopaedia publisher Grolier.

Groupe de la Cité is limited to its scientific journal operation Gauthier Villars, 80 per cent of whose publications are in English, and the small UK book packaging concern Grisewood and Dempsey, purchased in September.

CEP and Générale Occidentale each own 50 per cent of a holding company, Hoche/Friedland, which in turn controls 73 per cent of Groupe de la Cité.

The new group boasts some of France's best known imprints, mainly in the educational and reference work sectors.

From CEP come Larousse, with its celebrated range of dictionaries and encyclopaedias, Nathan, with a wide range of educational and children's books, as well as its own dictionary house, Robert, which already publishes a respected English-French dictionary jointly with Collins.

Générale Occidentala has Bordas, principally an educational publisher which also distributes the Harrap dictionaries in France, as well as Presses de la Cité, with a range of general literature and paperback imprints such as Plon, Julliard, Christian Bourgois and Fleuve Noir.

Générale Occidentale also brought to the 1987 marriage its 50 per cent stake in France Loisirs, uncontested leader in the French book club market, with sales of around FFr2.5bn (£227m) in 1987.

Although edncational and referanca books have been among the most buoyant sectors of French publishing in recent years, both sides of the partnership have felt the constraints of the market.

On the Générale Occidentale side, for example, 85 per cent of its FFr184m 1987 net profits in publishing came from the France Loisirs stake. Bordas contributed some profits, but general literature showed a loss after provisions for books returned.

Analysts estimate that Larousse and Nathan, with their associated children's games activities, made over FFr50m of net profits for CEP in 1987, recovering strongly from FFr35m the previous year, but it was the technical and trade magazine division, excluded from the Gronpe de la Cité merger, which provided tha most buoyant earnings.

Generale Occidentale had also appeared to be planning to diversify its publishing interests into the magazine sector, with the acquisitions of the Madias and Denis Jacob groups. This direction was reversed, however, after the regrouping with CEP, which last month announced that it would be taking over Denis Jacob directly from Groupe de la Cité.

Ms Laurence Hoffmann, analyst at the Paris stockbroker Sellier, forecasts 1988 net earnings for Groupe de la Cité at FFr290m, including an exceptional gain of FFr60m to FFr70m on the sale of a headquarters building, with France Loisirs again the major earner.

The group has activities in a number of markets ontsida France, principally in French-speaking countries such as Belgium and Switzerland

French analysts remain unconvinced, however, that Groupe de la Cité will be keen officially to match News' bid for Collins, knowing that its rival already has a head start.

"It would astonish me that they should want to launch a bid when Murdoch already has 41 per cent of Collins's capital," said Mr Jacques Richard, analyst at broker Bacot-Allain, while acknowledging that the financing for a bid could be arranged.

Groupe de la Cité itself is estimated to have casb and credit lines of FFr1bn to FFr1.5bn, but behind it stands Générale Occidentale, with FFr4bn in its treasury, and the advertising and media gronp Havas, CEP's major shareholder.

Tha French company may also still be shy of the UK market after its abortive attempt in 1987 to acquire 50 per cent of Book Cluh Associates from W.H.Smith, a deal hlocked hy tha Monopolies and Mergers Commission.

Polly Peck buys W German fruit importer for £14.8m

By Ray Bashford

POLLY PECK International is broadening its Continental European food import and distribution activities with the acquisition of Fruco Fruchthandels of West Germany for DM47.5m (£14.8m).

Mr Anthony Reading, managing director of Polly Peck which also has electronics and textiles operations, said 90 per cent of the consideration would be satisfied through an issue of shares with the balance in cash.

Fruco operates through seven branches in major West German cities and, according to Polly Peck, is a leading fruit importer and distributor.

The acquisition forms part of the plan to develop an integrated fruit business, bringing together growing sources in Turkey and Northern Cyprus with distribution operations in Europe and the US.

Polly Peck, which already has 10 small retail outlets in West Germany, sees the acquisition in the country's big import and distribution market as an important step in the European plan.

During the past 12 months Polly Peck has bought Van den Brink in Holland and Frio Mediterraneo in Spain which have complemented existing operations in the UK.

Mr Reading said that the company is examining other routes for expansion in Continental European and the US fruit importing and distribution business.

Fruco has an annual turnover of in excess of £100m. Net assets after property revaluations are estimated to be more than DM30m at December 31 last year.

Approval from West German authorities for the purchase are expected within the next three months.

The vendors have given an undertaking not to dispose of their shares until at least March next year.

Banner raid on Avdel fails to net target 2%

By Clay Harris

BANNER INDUSTRIES, the US engineering company which had to concede defeat last week in its £122m hostile bid for Avdel, tried unsuccessfully yesterday to add 2 per cent to its shareholding in the UK fasteners group.

In the market yesterday morning, stockbrokers acting for Banner offered initially 94p, and then 94½p, for Avdel shares.

Banner was believed to have picked up only about 300,000 shares by early afternoon, representing 0.22 per cent of voting rights, as Avdel shares ended 3½p higher at 96p.

The attempted raid was an effort to strengthen Banner's negotiating position in trying to squeeze a higher price out of Textron, the US conglomerate which has the backing of the Avdel board for a rival 92p per share bid.

Textron owns or has commitments to accept representing 44.2 per cent of Avdel's voting rights – excluding another 100,000 shares it bought yesterday at 92p – compared with the 42.7 per cent owned by Banner.

Now that Banner's 88p offer has lapsed, it is allowed under takeover rules to buy above that price, but only up to 2 per cent of shares in any one year. Henry Ansbacher, Banner's financial adviser, declined yesterday to confirm that its client had been active in the market.

Textron is trying to get through the 50 per cent level and declare the bid unconditional before it has to confront the problem of Avdel's large minority shareholder.

Although Banner has stated that it intends to be a long-term holder even if Textron wins, it has also signalled its willingness to consider a higher offer.

Environmental side of AAH expanded with £16.9m buy

By Andrew Hill

AAH HOLDINGS, distribution company, yesterday more than doubled the size of its environmental services division with a £16.9m acquisition.

Mr Bill Pybus, AAH chairman, said the deal would reinforce the group's position as an aggressive player in the escalating competition for local authority business.

AAH has bought Go Plant, which hires out vehicles for street sweeping, refuse disposal and other cleansing services, from Tarmac, the construction and building materials company.

About 60 per cent of Go Plant's trading profits come from UK local authorities and the balance from commercial customers. Some of the 400 authorities have already started to put services out to tender, and over the next three years all will have to phase in competitive tendering.

AAH's existing environmental services operation, Tyler, provides land maintenance and cleansing services for local authorities, other public bodies and some commercial clients.

Mr Pybus said that whereas Tyler operated its own fleet of 350 vehicles and tendered for local authority services, Go Plant could hire its 400 vehicles, controlled from eight regional depots, to any group.

AAH is paying £6.81m in cash for Go Plant, a further £1.64m for properties and £8.41m to repay internal loans to Tarmac. The issue of £39.1m of loan stock for its stake in British Fuels put AAH in credit last October. After this deal the group should have gearing of about 4 per cent.

In the year to December 31, Go Plant forecast trading profits before interest of about £2.16m, and AAH expects the company to make about £2.75m in 1989. The enlarged environmental services division is expected to provide about 12 per cent of annual group trading profits, against about 4 or 5 per cent from Tyler alone.

Bowthorpe expands via £9.75m thermistor deal

By David Waller

BOWTHORPE HOLDINGS, West Sussex-based manufacturer of electronic components, is paying £9.75m cash to buy STC's thermistor unit in Taunton, Somerset.

The move is in line with Bowthorpe's strategy of making small-to-medium-sized acquisitions in niche markets. Its most recent purchases have been in the US, but Bowthorpe yesterday stressed that it would buy in the UK if the right opportunity arose.

The business being acquired made pre-tax profits of £1.4m in 1987 and its tangible assets stood at £2.8m. It makes thermistors, advanced ceramic components used primarily to control overvoltage. These products are closely related to varistors, another ceramic component which Bowthorpe already manufactures in Cheshunt and Plymouth.

"The combination of the two activities provides the Bowthorpe Group with the critical mass needed for a step-by-step process of globalisation of the product over the next few years," the company said.

In September last year, Bowthorpe announced the $22m acquisition of Thermalloy Investment, Dallas-based manufacturer of heatsinks and related electronic assemblies. The latest deals bring the number of acquisitions made since the £43m rights issue in September 1987 to eight, costing a total of £28m.

Bowthorpe shares yesterday added 2p to close at 158p.

Northumb Water claims

By Andrew Hill

NORTHUMBRIAN WATER Authority yesterday claimed that two statutory water companies in its area of supply could lose their local identity if bought by Lyonnaise des Eaux, a French water supplier.

In its latest submission to the Office of Fair Trading, which is examining the recommended bids, Northumbrian said "yardstick" comparison between water suppliers would be difficult if ownership were not concentrated in specific regions, a reference to Lyonnaise, which controls two water companies in Anglian Water Authority's region.

The Government is hoping that privatisation of the 10 water authorities in the autumn will encourage competition between local water supply monopolies.

Northumbrian is still considering its options in the light of a court ruling just before Christmas which seemed to open the way for authorities to mount full-scale bids for the UK's 29 private water companies.

The Government is unlikely to relax funding limits on the public bodies to allow them to buy water company shares, but some authorities may find the financial flexibility to oppose French takeovers by setting up public limited companies.

The Lyonnaise offers for Newcastle and Gateshead Water and Sunderland and South Shields Water close next Wednesday.

Tranwood Earl joins Benlox in French deal

By Andrew Hill

Tranwood Earl, corporate finance arm of Tranwood Group, is forming an investment consortium with Benlox Holdings, investment and engineering group, and other clients, to buy a portfolio of 11,000 rental apartments in northern France for £50m.

Tranwood Earl, which, as Ifincorp Earl advised Benlox on its abortive bid for Storehouse, the retail group, is paying £1.25m for a 25 per cent stake in the consortium company, French Housing Corporation, and Benlox will pay £2.5m for a 50 per cent interest.

Neither Benlox nor Tranwood Earl will increase their stakes in the consortium.

The consortium is examining ways of funding the purchase of the portfolio from Albertine, a recently incorporated Dutch holding company, and is in discussion with possible French development partners and investors who could help with expansion plans.

Mr Simon Berrill, Benlox chairman, yesterday said that the issue was politically quite sensitive, and the consortium was unabla to release full details as yet.

The deal was intended to take advantage of recent changes in French legislation on rented property, he said.

Share shuffle at Ansbacher

Controlling shareholders in Henry Ansbacher have shuffled their 61.99 per cent stake in the UK merchant bank.

Groupe Bruxelles Lambert and Pargesa Holdings have each sold some 3.72m shares to Compagnie Financière BIL, a wholly owned subsidiary of Banque Internationale a Luxembourg, an associate company of GBL and Pargesa.

Banque Internationale a Luxembourg also transferred its beneficial interest in 18.4m shares to its subsidiary. After the transfers, the respective share stakes in Ansbacher are: GBL 24.11 per cent, Pargesa 24 per cent and BIL 13.88 per cent.

IEP has 9.04% stake in Vickers

IEP Securities, controlled by New Zealand businessman Sir Ron Brierley, has taken his stake in Vickers, the defence and Rolls Royce cars group, back up to 9.04 per cent. This is the same holding as in mid-November after disclosing a 5 per cent stake the previous month.

Corton freezer buy

Corton Beach is acquiring Freshline Freezer Foods for £400,000 cash. Corton's aim is to develop complimentary processing, distribution and related interests for fresh, chilled and frozen food products.

Video move for Rex Williams

Rex Williams Leisure, snooker table and amusement machine supplier and entertainment promoter, is to pay £600,000 for a 51 per cent stake in Harlequin Video, video duplication, production and distribution company.

Rex Williams said it expected a "significant contribution" from Harlequin in the year to May 1989. Harlequin reported sales of £1.4m in the final three months of 1988.

Gencor Group

Gold Mining Companies' Results for the year ended 30 September 1988

Name of Company	Tons Milled '000	Gold Produced kg	Net Profit Rm	Dividends cents per share
Bracken	842	2,476	8.9	45
Kinross	2,057	11,817	76.4	270
Leslie	1,383	3,254	12.1	50
Unisel	1,127	6,119	41.4	115
Winkelhaak	2,162	12,056	120.1	315

Average Gold Price Received R31,413 per kg (1987 R29,003)

Points made in the Statements by the Chairmen Mr. B. P. Gilbertson and Mr. G. Maude

BRACKEN *(Company Number 59/01126/06)*
The future of the mine depends on the strengthening of the gold price and the ability to contain costs. The area remaining to be developed is very limited and the potential for opening-up and mining small blocks of ore is restricted. At best the mine is expected to continue for the next few years at a reduced milling rate while maintaining the present recovery grade.

KINROSS *(Company Number 63/06226/06)*
The tonnage milled is expected to be maintained at a similar level to that attained during 1988. The recovery grade will decline slightly due to the lower value of reserves that will be mined.
A decision has been taken to sink two decline shafts to expose ore reserves below the current lowest operating levels. The No 1 Decline will be sunk from 15 to 16 level initially on the eastern side of No 1 Shaft, and No 2 Decline from 18 to 19 level in the northern area of No 2 Shaft. The first phases of the projects will be completed during the last quarter of 1989. Value trends exposed by the declines, together with exploration in the form of winzes sunk in the area, will provide sufficient information for a decision regarding whether or not to deepen the decline shafts.

LESLIE *(Company Number 59/01124/06)*
The future of the mine continues to be largely dependent on the exposure of new ore reserves in the western area. These values have continued to be disappointing and development is continuing on a selective basis.
A borehole drilled to the north of the lease area intersected highly payable Kimberley Reef. The extent of the area is, however, expected to be limited. Development to prove the reserves is progressing on a double-shift basis.
It is essential to continue to control costs and to optimise the milling rate as improvement in the recovery grade is unlikely. In this regard a reduction in tonnage throughput is planned for the next year to match production levels to ore reserves. As a result, the number of employees in service will be reduced in line with the lower production levels.

UNISEL *(Company Number 72/10604/06)*
Tonnage milled will be maintained in the ensuing year, whilst the yield is planned to increase marginally. The rate of development will be increased to improve the ore reserve position of the mine and emphasis will be given to containing the rate of cost increases.
An investigation to determine the concentration of higher values in the Leader Reef horizon is ongoing and preliminary findings have indicated a higher value middle section. Prospecting of the Tarka and Jurgens Hof areas is continuing and a full feasibility study will be undertaken during the 1989 financial year.
A new sub-incline shaft with an estimated capacity of 30,000 tons of ore per month will be sunk at a cost of R26.2 million to establish access to the eastern zone of the mine and will result in two new levels below the present working areas. Unisel will benefit from the higher grades expected.

WINKELHAAK *(Company Number 55/03606/06)*
Tonnage and recovery grade are expected to be maintained during the coming year. Output from the No 6 Ventilation Shaft area is expected to be less than planned due to severe faulting being encountered at 4, 5 and 6 levels. Emphasis will be placed on containing the rate of cost increases to acceptable levels.

All the above companies are incorporated in the Republic of South Africa.
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Hoare Govett Corporate Finance Limited, 4 Broadgate, London EC2M 7LE

Charterhouse Tilney, 1 Paternoster Row, St. Paul's London EC4M 7DH

4th January, 1989

YAMAICHI ADVANCED
Technology Fund
Société Anonyme

Notice of Meeting

Notice is hereby given that the third ANNUAL GENERAL MEETING of YAMAICHI ADVANCED TECHNOLOGY FUND will be held at the Registered Office in Luxembourg, 10A, Boulevard Royal, on:

Thursday, 26th January, 1989 at 11 hours,

for the purpose of considering the following Agenda:

1. To receive and adopt the Management Report of the Directors for the year to 31st October, 1988.
2. To receive and adopt the Report of the Statutory Auditor for the year to 31st October, 1988.
3. To receive and adopt the Annual Accounts as at 31st October, 1988.
4. To grant discharge to the Directors and the Statutory Auditor in respect of the execution of their mandates to 31st October, 1988.
5. To receive and act on the statutory nomination for election of Directors and the Statutory Auditor for a new term of one year.
6. To appropriate the earnings.
7. To receive the resignation of Mr Akiyoshi Ito and to ratify the appointment of Mr Isamu Ogasawara as a Director of the Company as resolved by the General Council held on 10th February, 1988.
8. To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the Registered Office of the Company not later than twenty-four hours before the Meeting.

By order of the Board of Directors,
J. Pierson
General Manager

£75,000,000
Yorkshire International Finance B.V.
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Guaranteed on an unsubordinated basis by

Yorkshire Bank PLC

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 30 December 1988 to 30 March 1989 the Notes will carry an interest rate of 13⁵⁄₁₆% per annum with a coupon amount of £164.13 per £5,000 Note.

NatWest Capital Markets
Agent Bank

UK COMPANY NEWS

Pepe at £6m despite procurement problems

By Alice Rawsthorn

PEPE, USM-quoted leisurewear group, succeeded in boosting pre-tax profits by 57 per cent from £3.87m to £6.07m in its first half, despite disappointing profits growth from its UK and US subsidiaries.

Mr Roger Rowland, chairman, said that although the UK performance had been hampered by procurement problems and the cost of management restructuring, development overseas had helped to secure an overall increase in profits.

Pepe began life in the 1970s as a stall on a London street market. It has since built an international business which sources jeans and casualwear from sub-contractors in the Far East to be sold under the Pepe, Big Stuff and Hard Core brand names.

Nearly half of its turnover is now derived from outside the UK.

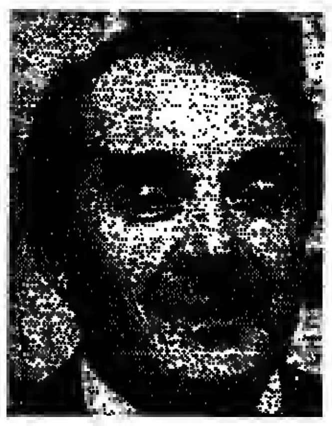
Group turnover rose to £45.48m (£38.29m) in the six months to September 30. Earnings per share increased to 15.3p (10.1p).

The interim dividend is raised to 2p (1.5p), payable on April 6.

Domestic sales rose by almost 14 per cent in the first half, but growth in profits was curtailed by the cost of expanding the UK management team and of creating an independent business for Hard Core.

Tha UK intrests also encountered problems in securing adequate supplies of denim and in exercising quality control among the Far Eastern sub-contractors. An estimated £5m was lost in UK sales due to procurement problems. Mr Rowland said these should be resolved by early spring.

The French and West German subsidiaries moved into profit after their difficulties last year. It is now planned to introduce the range from Buffalo – the French business which fell into problems after its acquisition two years ago – to other markets.


Roger Rowland: development overseas helped secure overall increase

The North American business suffered from the slowdown in the US apparel market.

Mr Rowland said the second half had begun well. He expressed concern about the uncertain ontlook for consumer spending in the UK, but said there would be "plenty of opportunities" for Pape to expand.

● COMMENT

Pepe has surpassed the City's expectations again and again since it went public – to a distinctly damp response – four years ago. These results were no exception. Analysts have cheerfully chalked up their full year forecasts from £11m to £12m and the shares surged by 8p to 298p yesterday. Yet Pepe, for all its past successes, is still languishing on a prospective p/e of 10. The reason is simple. The company may be something of a star in textiles, but it still suffers from investors' disillusionment with the sector as a whole. The strategy of sourcing from sub-contractors should make Pepe better able to withstand competitive conditions than other UK textile companies. And there is plenty of scope for growth from other brands and other markets to offset the maturity of the original Pepe range in the UK. Yet the prospects for its share price are pinned to those of the textile sector and there is thus no hope of a re-rating in the short term.

Powerscreen expands with £4.4m US acquisition

By Fiona Thompson

POWERSCREEN INTERNATIONAL, the Dungannon, Northern Ireland-based quarrying equipment business, has acquired a US company, Royer, which specialises in the development and sale of commercial and municipal composting systems for the solid waste market, for $8m (£4.39m).

Powerscreen paid an initial $2m on January 1, the balance being payable in two instalments of $3m each six months and 12 months after completion.

Royer, based in Kingston, Pennsylvania, manufactures a range of prodncts from waste shredders to municipal slndge composting equipment and land clearing machines.

In the year to December 31 1987, Royer made pre-tax profits of $1.45m on turnover of $9.9m.

In the 10 months to October 31 1988 the pre-tax figure was $1.55m and Mr Shay McKeown, finance director of Powerscreen, said Royer should produce pre-tax profits of $2m for the year to December.

Powerscreen's core business is the manufacture and sale of machines which screen sand and gravel by size and which crush rock.

The machines sell all over the world. About 55 per cent of Powerscreen's turnover at present comes from the US and the company was keen to make an acquisition there to provide it with a US manufacturing base.

The acquisition will consolidate Powerscreen's position in the US and open up new markets in areas of conservation and waste management, Mr McKeown said.

Powerscreen in November reported pre-tax profits of £6.51m for the six months to Septsmber 30 1988.

William Cook buys main subsidiary and land from Rbt Hyde

By Fiona Thompson

WILLIAM COOK, one of Britian's largest steel foundry groups, is to acquire Newco, the principal trading subsidiary of Robert Hyde, which produces steel castings predominantly for the mining and construction equipment industries.

Cook will also purchase from Robert Hyde land and buildings at Chesterfield on a site of some 10.2 acres. Cook will pay £5.6m for the acquisition, to be funded by bank borrowings. An egm of Cook shareholders has been called for January 16 to approve the deal.

An initial cash payment of £2.5m will be made on completion. Three further payments will be by way of three separate unsecured, unquoted loan notes, each carrying interest of 8.75 per cent per annum. The first amounting to £500,000 will be repayable six months after completion, the second and third will amount to £1.3m each and will be repayable 12 and 24 months respectively after completion.

Newco and the assets to be acquired represent all the manufacturing interests of Robert Hyde. The assets include plant, equipment, stock and work in progress at the Chesterfield and Stoke factories and the current order book. Employees at both factories will be transferred to the enlarged Cook group.

In the year to July 31 1988 Hyde's gross profit was £1.4m on turnover of £8.8m. Overseas sales to EC countries and the US accounted for about 20 per cent of turnover.

Cook reported pre-tax profits of £1.83m in the six months to October 3, 1988.

Parkfield buys two Glynwed companies for £4.5m

By Richard Tomkins, Midlands Correspondent

PARKFIELD, the acquisitive conglomerate headed by Mr Roger Felber, yesterday made an early start to its 1989 buying spree by agreeing to purchase two companies from Glynwed International for £4.5m cash.

The companies are Wask Engineering of Keighley, West Yorkshire, and Tipper Fittings of Bilston, West Midlands. Both are part of Glynwed Tubes & Fittings, a Glynwed subsidiary.

Wask, with about 210 employees, and the mnch smaller Tipper make and distribute metal pipe fittings, valves, joints and other specialist equipment for the gas and water industries. Customers inclnds the 12 regional gas boards.

Parkfield hopes to reap advantages from marketing the two companies' prodncts jointly with those of its existing pipe fittings operation, RM Fabrications, which sells its PECAT range of fittings to the gas industry.

It aims to use the acquisitions to strengthen its position in the water industry.

Wask and Tipper made operating profits of £795,000 on sales of £6.5m in the year to December 1987.

Another brick in the wall as ECC buys US plants

By Clay Harris

ENGLISH CHINA Clays, industrial minerals and construction group, is to pay $5.1m (£2.8m) for two concrete block manufacturing plants in Minnesota.

Added to ths facilities acquired late in 1987 with the J.L. Shiely aggregates group, the latest plants bought from O.G. Hanson & Son will give ECC 20 to 25 per cent of the concrete-block market in the Minneapolis-St Paul area.

Mr Robert Carlton-Porter, finance director, said ECC intended to develop Sheily Masonry Products as the leading pre-cast concrete manufacturer in the Twin Cities market, with imminent moves planned into garden and landscape wall panels.

It ranks second to Anchor Block after the latest acquisition. One of the new plants is located adjacent to a Shiely quarry on the Elk River; the other at Bnffalo, Minnesota.

Tallent Engineering to change hands for £11m

By Clay Harris

TALLENT Engineering is changing hands in a management-led buy-out which values the Darlington-based manufacturer of motor vehicle and consumer durables components at £11m.

The deal marks tha final chapter in the history of Charles Colston Group, the family-owned engineering company which was once a prominent maker of dishwashers and other white goods.

Bny-out vehicle is Tallent Holdings, in which management will have a 40 per cent stake. It is buying Colston, an nnquoted company whose shares trade under Rule 535.

The Colston family, which founded the gronp in the early 1950s and bought Tallent in 1955, will no longer have a stake.

The engineering company has been Colston's only operating subsidiary since the disposal of ITS Rubber in 1985. Colston sold its domestic appliances division in 1979 to Merloni, Italian maker of Indesit and Ariston white goods.

It designs and produces components for motor gronps including Ford, Austin Rover, Jaguar and Nissan, specialising in suspension, chassis and other pressed parts. It is one of only 94 of Ford's 1,230 European suppliers to be rated "Q1".

The motor industry accounts for abont two thirds of Tallent's total turnover, which reached £17.8m in the year to April 1988, a period in which trading profit exceeded £1m.

Keyline acquisitions

THE £2.6m management buy-in has been completed of Lancashire-based John R Ainsworth and the wholesale division of Tollit & Harvey, situated in Southwark, London. Keyline (Holdings), ths company formed for the buy-in, aims to create a national office stationery wholesaling operation. Mr Arthur Wells and Mr Ian Barnes, Ainsworth directors, have been joined in the venture by Mr Gordon Williamson and Mr Munroe Wightman, who become group managing director and finance director respectively.

Trade Indemnity buys stake in H&H

By Ray Bashford

TRADE INDEMNITY is adding factoring and invoice discounting to its credit risk management services through the acquisition of a 50 per cent stake in H & H Factors.

The company is paying Heller Europe £6.25m cash for the holding. Heller will retain the remaining 50 per cent.

Mr John Phillips, Trade Indemnity chief executive, said the partnership would combine Hellers' network of offices in Europe with his company's worldwide experience in underwriting credit risks, debt collection services, and data base.

Net assets of H & H were at least £5m when the deal was completed yesterday.

MAI merges money brokers

By Richard Waters

MAI, the money broking and advertising group, said yesterday that it has merged its three London-based money broking subsidiaries, Guy Butler International, Butler Till and Harlow Ueda Savage.

The intention is to exploit the greater market presence of the combined unit, which is now known as Butler Harlow Ueda.

The move will also make operations more cost effective, but will not result in redundancies, a spokesman said.

Money broking and securities together accounted for £174m, or 58 per cent, of MAI's £302m turnover in the year to June 30 1988, and £30m (61 per cent) of its £49m profits.

Profits from this source declined from £37m the year before, a drop of 19 per cent. Turnover in the same period fell by four per cent.

MAI has also taken its first step into Portugal with the acquisition of stakes in Placa and Red Portuguesa, contractors which together control 60 per cent of the country's outdoor poster market.

Europoster, a company jointly owned by MAI and Avenir of France, has bought 45 per cent of Placa and 34.8 per cent of Red Portuguesa.

MAI already owns the UK's largest outdoor poster contractor, London & Continental, and has directly held or jointly owned interests in France, Spain, Belgium and Ireland.

Caparo in £2.7m sale to Harvey

Caparo Industries has sold Nationwide Forktruck Services to Harvey Plant, leading UK independent fork truck contract hire company jointly owned by Lex Service and Lombard North Central.

Consideration, including repayment of intercompany debt, was £2.7m, of which £2.4m was paid on completion.

At end-December 1987, Nationwide had net current liabilities of £57,000 but the 1988 balance sheet is expected to show net assets of about £206,000 after certain revaluations and agreed accounting adjustments.

The disposal represents a further step by Caparo towardsthe elimination of non-core businesses. The proceeds will be used to reduce group borrowings.

J Neill makes £1.4m French acquisition

James Neill (Holdings), Sheffield-based maker of hand and garden tools, has acquired Forges de Lavieu, France's largest maker of garden forks, for FFr 15.4m (£1.4m) in cash.

The company, based at St Chamond near Lyons, sells to retail and industrial outlets in France and is expected to return profits of about FFr 1.5m on sales of FFr 33m during the 12 months to December 31 1988.

James Neill plans to broaden the French group's product range through the addition of goods manufactured in its UK plants.

COMPANY NEWS IN BRIEF

CRAMPHORN has bought Heathlands Country Market and Garden Centre, Wokingham, Berkshire, for £1.5m together with stock at valuation. In the nine months to September 30 1988 Heathlands made pre-tax profits of £82,000 on sales of £791,000. Cramphorn has also contracted to sell premises at Bury St Edmunds for £425,000 cash, a profit of £300,000.

DALE GROUP: Beaufort owns or has acceptances for 11.46m shares (98.9 per cent).

EXPEDIER LEISURE: the open offer of up to 5.1m shares has been applied for in respect of 1.37m shares (27 per cent).

HARTLEY BAIRD has purchased three manufacturers of precision mould tools and plastic injection mouldings for the computer and electronics industry, for an initial consideration totalling £1.4m in a mixture of cash, ordinary shares and loan notes. The companies are: Alan Grinders, Connector Moulds and Finespark (Horsham). Further payment up to £4.8m depends on profits for the next three years.

KLEINWORT BENSON GILT Fund made net revenue £3.54m in nine months ended January 2 1989 (£2.65m nine months to January 31 1988). Dividends paid £2.48m (£1.6m). Interim dividend per participating redeemable preferred 32.69p (32.65p). Net asset value per participating share, bid basis, £13.21 (£13.54).

NO PROBES: the following proposed acquisitions are not being referred to the Monopolies Commission – Rodamco for Hammerson Property and Development, and Leucadia National for Cambrian and General Securities.

RANSOMES SIMS and Jefferies' property subsidiary has sold the first plot (5.6 acres) within its Phase II development for £1.3m to John Grose Group.

THOMSON Organisation is to redeem 3 per cent first mortgage debenture stock and 7¼ per cent unsecured loan stock, both at par on March 30. Also intends to cancel and redeem at par the 4.72 per cent, 5.83 per cent, and 21.7 per cent preference shares through capital reduction; the 21.7 per cent shares will receive 70p per share premium under their rights.

SHARE STAKES

Changes in share stakes which took place recently included:

Benlox Holdings: Dr A Marshall and Mr J Marzetti are the beneficial owners of 7.73m ordinary shares (14.41 per cent).

Electronic Machine Co: Mr J A Brett and Mr R H Neville have each acquired 12,500 ordinary shares and Old House Investments, which is controlled by the two men, has acquired 280,000 ordinary. They have an interest, therefore, in 305,000 ordinary (8.22 per cent).

Kleinwort Overseas Investment Trust: Kleinwort Benson Group has, through three purchases totalling 635,000 shares, raised its stake to 10.46m ordinary (13.04 per cent). The shares are registered in the name of Frank Nominees and are in the beneficial interest of Kleinwort Benson Investment Trust, a subsidiary of Kleinwort Benson Group. The total owned by the group and under discretionary management of Kleinwort Benson Investment Management amounts to 24.24 per cent of the ordinary shares.

Mowat Group: the chairman and his wife have together bought 6.52m shares (7.67 per cent) at 44p each. Their combined holding totals 22.39m.

New Tokyo Investment Trust: Sun Life Assurance Society is now interested in 3.76m ordinary (8.55 per cent).

Queens Moat Houses: Mr M A Marcus, a director, has sold 100,000 ordinary at 102p and now holds 1.76m.

Windsor: Channel Hotels and Properties has purchased 336,800 ordinary and now holds a total of 3.89m (14.75 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims: Fleming Technology Investment Trust, Hollas, TR City of London.

FUTURE DATES

Interims:

M.L. Holdings ... Jan. 9

Peratorp ... Jan. 26

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
295	185	Ass. Brit. Ind. Ordinary	292xd	+4	10.3	3.5	8.0
295	186	Ass. Brit. Ind. CULS	298	+4	10.0	3.4	-
42	25	Armitage and Rhodes	32	0	-	-	-
57	30	BBB Design group (USM)	31	0	2.1	6.8	4.9
173	133	Bardon Group	162xa	0	2.7	1.7	22.7
117	100	Bardon Group Conv. Pref.	107	0	6.7	6.3	-
148	103	Bray Technologies	110	+1	5.2	4.7	7.9
114	100	Bramhill Conv. Pref.	110	0	11.0	10.0	-
257	246	CCL Group Ordinary	254xd	0	12.3	4.3	4.3
178	135	CCL Group 11% Conv. Pref.	169	0	14.7	8.7	-
154	129	Carlo Plc (SE)	140	0	6.1	4.4	12.2
115	100	Carlo 7.5% Pref (SE)	109	0	10.3	9.4	-
335	147	George Blair	335	+1	12.0	3.4	7.8
129	60	Isis Group	119	0	-	-	13.7
118	87	Jackson Group (SE)	115xd	0	3.3	2.9	12.7
287	245	Multihouse NV (AmstSE)	261	0	-	-	-
119	40	Robert Jenkins	87	0	7.5	7.0	4.6
430	124	Scrutons	401	0	8.0	2.0	26.9
280	174	Torday & Carlisle	275	-1	7.7	2.8	13.3
100	100	Torday & Carlisle Conv Pref	100	0	10.7	10.7	-
98	54	Trevian Holdings (USM)	60	0	2.7	3.0	9.9
113	100	Unitrex Europe Conv Pref	108	0	8.0	7.4	-
396	350	Veterinary Drug Co. Plc	356	+1	22.0	6.2	9.4
331	203	W.S. Yeates	330	+1	16.2	4.6	67.5

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

* These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co Limited nor Granville Davies Limited are market makers in these securities.

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FT 30	FTSE 100	WALL STREET
Jan. 1457/1466 -1	Jan. 1796/1806 -2	Jan. 2149/2161 -21
Mar. 1472/1481 -4	Mar. 1814/1824 -6	Mar. 2159/2171 -22

Prices taken at 5pm and change is from previous close at 9pm

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TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 January 1989

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 800 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 January 1989.

2. The Bills will be issued in the following maturities:

ECU 300 million for maturity on 16 February 1989

ECU 300 million for maturity on 13 April 1989

ECU 200 million for maturity on 13 July 1989

Bills will be dated 12 January 1989.

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London EC2 not later than 10.30 a.m., London time, on Tuesday, 10 January 1989. Payment for Bills allotted will be due on Thursday, 12 January 1989.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in those systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 12 January 1989 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 14 September 1988. All tenders will be subject to the provisions of that Information Memorandum, copies of which may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England

3 January 1989

Ivory Coast says French cocoa deal completed

By David Blackwell

THE IVORY COAST, the world's biggest cocoa producer, yesterday announced that it had completed its deal to take 400,000 tonnes of its surplus cocoa off the world market through a deal with a French trade house – but details of financing and shipping remain unknown.

"The Caisse de Stabilisation has just completed its biggest cocoa operation ever, that is the sale of 400,000 tonnes to the Sucres et Denrees group," said Mr Rene Amani, director of the Caisse, the country's commodities marketing board, in Abidjan, the Ivorian capital.

However, no confirmation of the deal was forthcoming from Sucres et Denrees in Paris, and the French Co-operation Ministry, which has denied that it is helping with finance for the deal, said its position was unchanged.

Mr Amani said half of the sale was destined for final users and the rest would be stocked for several years in Europe.

"After such an operation, which comes on top of deliveries to local industries of 100,000 tonnes, Ivory Coast is perfectly placed to escape pressures for the present season," he added.

In future, Sucres et Denrees would give technical and logistical support to the cocoa sector and would offer its co-operation to the Caisse de Stabilisation, he said.

Prices on the London Futures and Options Exchange (Fox) rose in the morning on expectations of a statement from Mr Felix Houphouet-Boigny, the Ivory Coast's president, who returned home on Saturday after a private visit of two weeks in France, where he had talks with Mr Michel Rocard, the French Prime Minister.

The March cocoa contract advanced to £915 a tonne before retreating after Mr Amani's announcement to close unchanged at £889 a tonne.

Analysts in London say the market still needs to know details of financing and shipping before it can decide in which direction it should move.

Mr Tony Chadwick of Prudential Bache pointed out that the July and September Fox contracts were virtually the same as March at £890 and £891 a tonne respectively. He said that this reflected the market's uncertainty about the significance of the deal.

Another analyst questioned whether it was strictly accurate to say the sale had been completed, with 200,000 tonnes (worth £200m at a possible £1,000 a tonne) to be stored "for several years in Europe".

How would it be financed? he asked.

Nevertheless, the Ivory Coast had succeeded in conditioning the market to higher prices and substantial premiums for West African cocoa over terminal market prices, Mr Chadwick said.

EC awards £94m grants for food processing

By Tim Dickson in Brussels

PIG SLAUGHTERING facilities in central Ireland, the extension of a herring processing plant in Denmark, and the construction of new grain dryers in Northern France are among 301 new projects which are to receive European Community funding under a programme announced in Brussels yesterday.

The disbursements are a twice yearly exercise in allocating the so called "guidance" section of the EC's agricultural budget and they are aimed largely at supporting projects for the processing and marketing of farm and fishery products.

The total value of the latest tranche of project grants amounts to Ecu 144.87bn (about £94m).

A large share of the funds has gone to the Mediterranean countries of the Community, notably Spain with 166 schemes amounting to more than 4.6bn pesetas, Greece (with 71 schemes worth Dr 2.38bn.) and Portugal (with 49 schemes worth Es 3.77bn).

The 35 projects backed in the UK, to the tune of just over £5m, include £300,000 for the provision of a new livestock market in Lichfield, Staffordshire. In addition more than £730,000 goes to six projects involving storage and grading facilities for the fruit and vegetable sector. Another £271,000 is awarded for the modernisation of an animal feedmill at Randalstown, Co Antrim.

Nearly £700,000 is earmarked for 12 projects in the fish sector, including the provision of salmon processing facilities at Perth.

Zinc price climbs to fresh record

By David Blackwell

ZINC PRICES surged on the London Metal Exchange yesterday, brushing aside a rise in warehouse stocks on expectations of good first quarter demand.

Three-month high grade zinc closed at a record $1,605.50 a tonne, a rise of $49 after last Friday, with cash metal at $1,667.50 a tonne only $5 off October's record. The three-month price for the special high grade contract introduced in November closed at $1,622.50 a tonne.

Yesterday's increases were sparked by news that Big River Zinc of the US was raising its producer price for special high grade zinc by 3 cents to 78.50 cents a lb.

Once three-month zinc breached $1,570 a tonne – a level which had provided strong resistance in past weeks – speculators and commission funds were drawn into the market.

The belief that there will be a strong demand from the galvanising industry during the first quarter has overridden the bearish rise in stocks and the end of the Peruvian miners' strike, according to Mr Neil Buxton of Shearson Lehman. Producer stocks have risen steadily from 285,000 tonnes in June to 325,000 tonnes in October (the latest available figure).

Total stocks of zinc in LME warehouses rose last week by 2,125 to 40,475 tonnes – although this is to be expected over the holiday period.

But stocks are likely to fall sharply in the next few weeks, according to Mr Robin Bhar of Rudolph Wolff. "People are expecting good demand in the US, the UK and Japan, and maybe the Communist bloc."

The strength lies in the construction sector, he believes, as demand from the automotive sector has levelled off.

● Metal analysts say progress is still slow in annual sales contract negotiations between major North American and Australian zinc mining companies and their European smelter customers over 1989 concentrate supplies, reports Reuter.

The main reason for the hold-up has been a general consensus in the industry in recent months in favour of a pricing system based on the London Metal Exchange's Special High Grade zinc contract.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium high grade	+3,600	to 136,725
Copper Grade A	−4,100	to 64,975
Lead	+3,700	to 61,500
Nickel	−768	to 2,544
Zinc	+2,125	to 40,475
Tin	−95	to 5,775
Silver (oz).	unchanged	at 14,966,000

'Noodling' for opals in the Outback

Chris Sherwell meets an unlikely expert on Australia's fiery gem stones

THE first thing you notice is the piercing blue eyes. Above them, a peaked red baseball cap – labelled, incongruously, Chicago Bears. Below, a three-day Yassir Arafat-style growth of beard. From the middle, the distinct sounds of a Slavic Australian accent.

This is Mr Marijan Anic, an unlikely but highly entertaining expert on one of Australia's least publicised but best known minerals – the opal. For 21 years he has lived in an even more unlikely place – Andamooka, 370 miles north of Adelaide, deep in the desert of South Australia.

Australia is the source for more than 80 per cent of the world's opal, and Andamooka is the third largest mining centre there, after Mintabie and Coober Pedy, both even further inland in South Australia.

Opal is a form of silica similar to quartz, with water in its mineral structure. But it is far more than mere sand and water. Its distinctive milkiness glows under ordinary light with a brilliant fire of different colours which can change, even disappear, as it is rotated.

The trick, of course, is to find it.

The discovery in 1930 of the Andamooka deposit came 15 years after Coober Pedy. One expert geologist recently spent three years digging in a zone near Andamooka where he knew precisely the horizon of the opal outcrop. He found nothing.

Mario, as Mr Anic's friends call him, is no geologist but offers a tough but simple rule: never throw any rock away. To illustrate the point, he puts together three pieces of stone which have been cut to show bright rainbows of opal in the middle. Together, they form an old rock indistinguishable from any other.

Andamooka's opals are now much harder to find than when Mario started digging, and the quality is lower. On the other hand they are now worth far more, and demand has recently been growing strongly.

Getting estimates of the value of Australian opal production is no easy task. Government mining officials have a figure of A$83m (£39m) for 1987, the reliability of which they describe as "marginally better than the spin of a coin."

That is because the business is still made up of numerous one- or two-man operations which, to avoid tax, sell their opal direct to Hong Kong Chinese buyers who park themselves in places like Andamooka and Coober Pedy and pay cash on the nail.

The future survival of the business may depend on the entry of companies with capital to prove up and exploit fresh and existing reserves. In the meantime it remains much like the mysterious diamond industry – highly subjective when it comes to gem values, and littered with extraordinary stories of good luck and ill fortune.

Andamooka was the site on which was found the large black matrix opal named the Konindarie, an egg-shaped piece of rock which weighed 65 kg. Estimated to yield some 30,000 precious stones, it had a wholesale value of some A$1.3m.

The hamlet lies at the end of 20 miles of dirt road beyond the modern new township of Roxby Downs, built in the past two years by Western Mining and BP for the huge Olympic Dam copper and uranium mine. Nothing can prepare the visitor for the contrast.

Here, in the splendid isolation of the Outback, is a community of between 500 and 1,000 people (it depends on prospectors' fortunes) living in buckled corrugated iron huts under a non-regime they proudly advertise as "no rates, no building inspector, no parking inspector, no bitumen, no street names."

The huts, the battered cars, the old creek that is the main road, the surrounding mounds of multiple diggings, all make Andamooka unusual. So does the harsh desert environment, where temperature extremes are 48 deg C (118 F) and minus 1 deg C and a single rainstorm can cut the town off from itself. In the old days, many residents lived underground.

With the development of Roxby Downs has come running water, a police station, and a motel and pub, complete with a Sky Channel satellite dish carrying the news, pop videos and greyhound and horse races.

But it remains fundamentally a mining village. Most outsiders find the residents odd, but it is a small, close-knit community. Many of its inhabitants came originally from Eastern Europe and still find its freedom-in-isolation a welcome change from the oppressions of the homeland.

Mario came in 1967, having arrived in Melbourne from Yugoslavia unable to speak a word of English. When he set off for Andamooka, he says, he did not even know where it was, and knew very little about opals. He had simply heard that he might make money there.

Thanks to a philosophy which exalts the virtues of hard work, he and his Sydney-born wife have survived.

"Many times I have been hungry and thirsty," he says. "But a man can always get work. I am always ready to do something. Any odd jobs."

He has also been lucky, as he is the first to admit. His opal showroom, built from the rust-coloured rock he has hewn in his long searches, contains a glittering display which is the result of years of searching – "noodling" is the colloquial term – and of cutting and polishing, by himself or by experts in Hong Kong.

He proffers box after box of small and large gems, some fiery, others merely colourful, a few with patterns which underline their uniqueness. A handful are mounted as rings or pendants. Larger pieces of opal-laden rock have been carefully sliced to expose their beauty, some polished till they glow.

Here in Andamooka, man's long love affair with gems is vividly on display.

But a word of advice. If you go, don't draw up in a Mercedes flashing money. Mario and his colleagues will be less than impressed. Show an honest interest. And you'll receive a straight return.

Credit squeeze adds to Danish farmers' problems

Hilary Barnes reports on the crisis facing the country's agricultural sector

TIMES ARE hard in Danish agriculture and that is affecting the industry's credit rating. Suppliers of materials to the farms are refusing to unload their goods until they have cash or a valid cheque in their hands.

"The farmers have got no cash, and the banks won't lend them any more," said one disgruntled builder, complaining about delays in building a slurry tank because of the pecuniary caution of a supplier.

"But it's not surprising, when every pig they send to slaughter's got a dollar bill tied to its tail."

It never rains but it pours. Pig prices have fallen and feed costs have risen, and the dispute over hormone-treated meat between the EC and the US remains unresolved. As the Community's biggest exporters of meat to the US, the Danes stand to be hit harder than anyone else.

The financial problems of the Danish farmers, however, are not transitory, as an expert committee (called the Bernstein committee, after its chairman) from the Ministry of Agriculture underlined in a report published last November.

In high-cost Denmark, farms are too small – average size about 33 hectares – to yield the return on the capital invested required to give the farmer an income anywhere near that of a skilled worker in industry.

The average income for a full-time farmer in 1987-88, affected by a bad 1987 harvest, was Kr 50,000, (a little over £4,000) and the average in the current year is only expected to increase by about 15 per cent, despite a good 1988 harvest.

A mass of detailed restrictions inhibit farm mergers and acquisitions, and there is a ban on running farms as limited companies. The regulations prevent the structural shake-out which, according to the committee, is required to make the average farm into a viable unit again.

The committee's report follows a decade during which the farms have been in almost continuous financial trouble. Farmers' difficulties began with a period of very high interest rates between 1978 and 1982.

Their debt to assets ratio, now averaging about 49 per cent, has always been high in comparison with other European countries, and the financially weaker farms have never got over the problems which began at the start of the decade.

About 25,000 farms, out of a total of about 85,000, have such serious financial problems that they cannot continue without government help.

Debt relief measures are currently being implemented by the Folketing (parliament), but about half of the farms carrying high levels of debt will not qualify for relief – the farmer's organisations claim meanwhile that the measures have been put together in such an unhelpful way that they will not help many of those which do qualify for help, either.

The Bernstein committee recommends that all or most of the restrictions on farm mergers and acquisitions should be lifted and that outside investors should be attracted to put their money into farming by allowing farms to be run as joint stock companies.

But the recommendations are politically explosive.

The three-party Coalition Government (in which the Radical Party has close links with the smallholders, the Liberal Party with the larger farmers and the Conservative Party with the owners of large estates) is divided on the liberalisation issue, and so are the organisations representing the farmers themselves.

The family-owned farm, producing both fodder-crops and grain with either pigs or a dairy herd, or both, has had such a profound influence on Denmark's modern economic history, as well as its politics and culture, that measures breaking the mould are regarded with profound suspicion, even though only about 6 per cent of the country's population is now employed in agriculture.

Producing three times as much food as the country's 5m population requires, Danish agriculture is one of the European Community's major food exporters, with an especially large export to third countries – pigment to Japan, canned meat to the US, cheese to Iran, and dairy products to the Middle East.

Including mink pelts and sugar, Danish agricultural exports still account for almost 25 per cent of the country's total merchandise exports.

With the country itself as chronically indebted as its agricultural sector – the net foreign debt is about 40 per cent of the gross domestic product – the Danes can ill-afford to allow the industry to go into decline. And the farmers have not yet lost all hope.

"It's true we face the toughest period of change in this century, but Danish agriculture has a great future nevertheless," says Mr H.O.A. Kjeldsen, chairman of the Agricultural Council (umbrella organisation for the farmer's organisations).

He is clearly setting great store by the sound reputation which Denmark enjoys as a supplier of high-quality food products.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange copper and nickel markets both began 1989 by regaining the losses sustained between Christmas and the New Year. Cash Grade A copper, which had lost £60, rose £55.50 yesterday to £1,931.50 a tonne. Cash nickel recouped $1,350 of its $1,600 setback in rising to $19,200 a tonne. As bullish fundamentals – tight stocks and buoyant demand – were re-emphasised copper prices were only prevented from rising further by chart-based resistance to the three months price breaching the £1,750 a tonne mark. That price ended the day £24.50 up at £1,748.50 a tonne. Nickel's strength reflected renewed confidence that end-user demand could push the price beyond last March's record of $22,200. Last month the cash price reached $20,375 before falling back in the pre-Christmas lull.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.40-3.55w	+.075
Brent Blend	$16.40-6.50	+0.20
W.T.I. (1 pm est)	$17.31-7.34w	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$170-173	
Gas Oil	$154-156	+1
Heavy Fuel Oil	$76-77	+0.5
Naphtha	$145-148	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$412.25	+2.00
Silver (per troy oz)♣	609c	+2
Platinum (per troy oz)	$524.75	+6.00
Palladium (per troy oz)	$132.75	
Aluminium (free market)	$2600	+55
Copper (US Producer)	158⅝-163c	-2¼
Lead (US Producer)	41¼c	
Nickel (free market)	840c	+30
Tin (European free market)	£4147.5	
Tin (Kuala Lumpur market)	19.35r	-0.17
Tin (New York)	345.75c	+0.25
Zinc (US Prime Western)	72½c	
Cattle (live weight)†	113.81p	-17.8*
Sheep (dead weight)†	150.53p	+10.2*
Pigs (live weight)†	78.07p	-5.06*
London daily sugar (raw)	$276.2u	-2.00
London daily sugar (white)	$291u	
Tate and Lyle export price	£260.5	-4.5
Barley (English feed)	£112.75	
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£116.00v	-0.75
Rubber (spot)♥	56.50p	-0.50
Rubber (Feb)♥	64.00p	-0.75
Rubber (Mar) ♥	64.25p	-1.00
Rubber (KL RSS No 1 Jan)	292.5m	-1.5
Coconut oil (Philippines)§	$585z	
Palm Oil (Malaysian)§	$397.5	
Copra (Philippines)§	$370q	
Soyabeans (US)	$100 0	
Cotton "A" index	62.20c	-0.15
Wooltops (64s Super)	645p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Dec. x-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	891	890	915 888
May	889	889	915 886
Jul	890	892	914 888
Sep	891	895	909 889
Dec	905	913	924 906
Mar	915	927	935 909
May	926		940

Turnover: 4722 (3359) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 30: 1142.68 (1142.68):10 day average for Jan 3: 1119.57 (1119.87).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1226	1205	1223 1199
Mar	1237	1210	1244 1210
May	1227	1210	1235 1205
Jly	1225	1210	1225 1223
Sep	1224	1210	

Turnover:3167 (6486) lots of 0 tonnes
ICO indicator prices (US cents per pound) for Dec 30: Comp. daily 136.14 (135.24); . 10 day average 127.04 (125.74).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	232.40	250.80	249.20 231.60
May	230.60	247.60	248.40 230.20
Aug	225.00	240.00	237.50 237.40
Oct	221.20	235.00	234.00 220.80
Dec	219.00	232.00	
White	**Close**	**Previous**	**High/Low**
Mar	271.50	287.00	286.00 270.00
May	268.00	283.00	282.00 278.00
Aug	268.50	284.00	283.00 271.50
Oct	262.00	275 50	275.00 270.00

Turnover: Raw 3984 (308) lots of 50 tonnes. White 1271 (500).
Paris- White (FFr per tonne): Mar 1650, May 1630, Aug 1629, Oct 1010, Dec 1600, Mar 1600

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2400	221	211	39	148
2500	155	156	72	199
2600	103	127	118	258
Copper (Grade A)	**Calls**		**Puts**	
2900	415	335	64	243
3100	289	249	156	350
3300	193	181	256	477

TEA
There were 19,998 packages on offer including 2,600 offshore, reports the Tea Brokers Association. Assams met good general demand at firm rates except for the plainest descriptions which were irregularly easier. Africans also sold readily with bright liquoring sorts fully firm and the better mediums often 2-4p dearer. Offshore teas attracted good competition at fully firm rates with the exception of some plain Kenyas which were neglected. Quotations: quality 141p (146p), medium 114p (110p), low medium 80p (78p).
JUTE
C and f Dundee BTC $475, BWC $485, BTD $425, BWD $435; c and f Antwerp BTC $485, BWC $445, BWD $400, BTD $410.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,950 tonne
Cash	2605-15	2544-6	2600/2595	2595-600		
3 months	2530-5	2465-70	2530/2486	2512-5	2525-30	22,412 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,425 tonne
Cash	1929-34	1876-7	1930/1925	1929-31		
3 months	1748-9	1723-5	1749/1737	1742-4	1748-50	66,858 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	602-5	600-3		603-5		
3 months	615-8	615-8		614-5.5		453 lots
Lead (£ per tonne)						Ring turnover 5,850 tonne
Cash	390-2	391-2	390.5	390-0.5		
3 months	387-8	387-7.5	388/386	387-7.8	389-90	9,898 lots
Nickel ($ per tonne)						Ring turnover 708 tonne
Cash	19100-300	17800-800	18800/18600	18600-800		
3 months	17400-500	16400-50	17600/16755	17100-50	17300-400	5,531 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 2,500 tonne
Cash	1670-80	1607-12	1680	1690-3		
3 months	1620-5	1570-7	1625/1620	1622-5	1625-35	2,258 lots
Zinc ($ per tonne)						Ring turnover 11,350 tonne
Cash	1665-70	1606-10	1665/1662	1662-3		
3 months	1605-6	1565-8	1606/1560	1594-5	1606-8	11,153 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	65.0	65.0	
Apr	85.8	87.8	87.1 85.3
May	100.8	102.5	101.0 100.5

Turnover 509 (164) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	171.80	169.75	170.00
Apr	174.00	172.50	172.50
Jun	169.00	167.00	
Aug	159.00	157.00	

Turnover 26 (180) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1605	1590	1605 1590
Feb	1652	1636	1652 1640
Apr	1674	1658	1674 1663
Jul	1470	1453	1470 1464
BFI	1544	1543	

Turnover 385 (192)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.30	111.80	112.30 112.10
Mar	115.70	115.40	115.75 115.55
May	119.15	118.90	119.20 119.05
Jun	120.66	120.40	120.65 120.65
Sep	102.60		102.60 102.60

Barley	Close	Previous	High/Low
Jan	108.58	108.40	108.65 108.50
Mar	112.10	111.95	112.25 112.10
May	114.05	113.90	114.05
Sep	99.50		99.50

Turnover: Wheat 185 (193) , Barley 98 (192) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	412-412½	225½-226
Opening	412-412½	225½-226
Morning fix	413.6	226.295
Afternoon fix	411.8	225.226
Day's high	414-414½	
Day's low	410½-411	

Coins	$ price	£ equivalent
Mapleleaf	424-429	232-235
Britannia	424-429	232-235
US Eagle	424-429	232-235
Angel	424½-429½	233-235½
Krugerrand	411-414	225-227
New Sov.	97-98	53-53¾
Old Sov.	97-98	53-53¾
Noble Plat	528.8-538.2	288.5-293.6

Silver fix	p/fine oz	US cts equiv
Spot	332.50	607.00
3 months	343.25	620.75
6 months	354.30	635.55
12 months	374.50	663.95

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	15.73	10.54	15.75 15.63
Mar	15.40	15.19	15.40 15.31
IPE Index	15.43	15.39	

Turnover: 1684 (3723)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	152.75	150.50	152.50 151.00
Feb	150.00	148.00	150.00 148.25
Mar	145.00	143.25	145.00 143.50
Apr	139.50	137.75	139.50 138.25
May	134.75	133.00	134.50 133.50
Jun	133.00	131.25	132.50 132.00
Jul	133.00	132.00	132.00

Turnover 3617 (3572) lots of 100 tonnes

US MARKETS

A WEAKENING dollar sparked an early rally in the metals before some profit taking eased prices, reports Drexel Burnham Lambert. Trading volume was only moderate as gold futures gained 1.10 while silver closed down 1½ cents. Platinum futures recovered from its recent decline as commission house buying pushed prices up over 11 dollars in April. The soft commodities started the new year with active markets. Sugar futures sank 78 in March as fund selling elected commission house stops. Trading volume exceeded 50,000 for the day. Coffee prices were again higher on good technical buying. Cocoa prices rose 39 in March as a stronger London market added support. Most of the grain closed lower after having a choppy day. Trading volume increased after many days of light volume. Commercial and spec traders were mixed on the day. Cotton futures fell sharply as commission house sell stops were hit due to some trade selling. In the meats, negative packer cutout margin and sharply lower cash hogs largely offset expectation of a friendly pig crop report this Friday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	410.8	410.0	0	0
Feb	413.4	412.3	416.4	412.3
Mar	414.8	414.3	0	0
Apr	418.7	417.4	421.8	418.0
Jun	424.0	422.0	426.0	423.0
Aug	429.5	428.0	431.5	428.7
Oct	435.1	433.5	0	0
Dec	440.8	439.0	445.0	440.0
Feb	446.4	443.3	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	527.7	515.8	529.0	518.0
Apr	527.2	515.8	528.5	518.0
Jul	528.2	514.8	529.0	520.0
Oct	528.2	514.8	529.0	526.0
Jan	533.2	516.8	528.0	528.0
Apr	532.2	519.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	602.3	603.8	605.5	603.0
Feb	606.5	608.0	0	0
Mar	611.5	613.0	617.5	611.0
May	621.7	623.2	626.0	623.0
Jul	632.3	634.0	636.0	631.0
Sep	643.0	644.4	647.7	643.0
Dec	658.5	660.0	665.0	660.0
Jan	662.8	664.1	0	0
Mar	674.1	675.4	679.5	678.5
May	685.1	686.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	151.20	151.80	154.50	152.00
Feb	145.75	143.00	146.10	146.10
Mar	136.75	135.50	140.30	136.00
May	128.20	125.00	129.40	128.00
Jul	122.40	121.50	125.30	123.00
Sep	118.40	116.50	0	0
Dec	115.90	113.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	17.30	17.24	17.33	17.10
Mar	16.73	16.69	16.76	16.57
Apr	16.35	16.26	16.39	16.14
May	16.14	16.00	16.16	15.95
Jul	15.92	15.72	15.92	15.65
Aug	15.60	15.61	15.60	15.60
Sep	15.64	15.51	15.64	15.62
Oct	15.43	15.46	15.43	15.43

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5285	5220	5300	5220
Mar	5035	4981	5040	4980
Apr	4730	4673	4730	4680
May	4480	4398	4425	4390
Jun	4350	4333	4390	4340
Aug	4440	4389	4440	4400
Sep	4474	4425	4474	4400
Oct	4575	4523	4575	4545

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1539	1500	1555	1515
May	1526	1499	1535	1510
Jul	1528	1494	1535	1515
Sep	1529	1498	1535	1522
Dec	1532	1503	1535	1525
Mar	1538	1510	0	0
May	1553	1539	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	165.00	158.34	165.75	161.10
May	158.80	152.85	158.75	155.25
Jul	155.00	149.85	155.25	152.65
Sep	152.00	146.40	152.60	150.20
Dec	149.50	147.00	149.50	149.60
Mar	150.25	147.75	0	0
May	150.25	147.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.37	11.15	11.03	10.25
May	10.19	10.05	10.87	10.05
Jul	10.23	10.75	10.61	10.23
Oct	9.91	10.41	10.22	9.91
Jan	9.80	0.49	0	0
Mar	9.86	10.10	10.10	9.86
May	9.39	9.89	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	56.67	58.49	58.97	56.60
May	57.27	58.95	59.00	56.90
Jul	56.60	59.55	59.05	56.60
Oct	56.25	57.20	57.00	56.20
Dec	56.20	57.50	57.95	56.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	155.50	158.95	157.00	155.50
Mar	154.35	158.55	158.50	154.00
May	153.85	157.60	158.25	153.10
Jul	153.30	157.00	158.25	[illegible]
Sep	153.30	157.50	158.25	154.20
Nov	153.75	155.95	0	0
Jan	153.25	155.75	0	0
Mar	153.25	155.75	0	0
May	153.25	155.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 30	Dec 29	mnth ago	yr ago
1860.2	1878.1	1853.8	1730.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	143.06	143.01	133.75	-
Futures	145.67	145.35	130.72	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	801/6	804/0	815/0	801/0
Mar	814/4	819/2	829/0	814/0
May	825/2	827/2	839/0	824/0
Jul	829/2	834/0	843/0	829/0
Aug	818/4	826/0	835/0	818/0
Sep	789/4	779/0	779/0	789/0
Nov	732/4	735/4	740/0	732/0
Jan	742/4	749/0	[illegible]	740/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	22.38	22.82	23.08	22.38
Mar	22.59	23.57	23.57	22.82
May	23.38	23.85	24.05	23.32
Jul	23.81	24.37	24.20	23.32
Aug	23.80	24.33	24.55	23.77
Sep	23.95	24.28	24.40	23.95
Oct	24.05	24.40	24.95	24.05
Dec	24.05	24.45	24.70	24.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	261.0	265.6	264.0	258.8
Mar	263.0	263.7	267.0	262.3
May	262.0	263.5	265.5	261.5
Jul	258.0	251.2	261.5	259.0
Aug	253.5	255.0	257.5	253.5
Sep	245.0	246.5	245.5	243.0
Oct	229.0	226.0	231.0	227.0
Dec	223.0	221.0	225.5	223.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	290/6	284/4	289/6	286/4
May	289/2	289/6	291/6	288/4
Jul	285/6	289/6	294/4	286/4
Sep	276/2	276/4	279/2	276/4
Dec	273/2	273/2	274/6	272/2
Mar	280/2	280/0	281/6	279/0
May	284/0	284/0	284/0	284/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	439/2	440/0	445/2	437/4
May	429/6	429/0	434/0	428/0
Jul	395/6	394/2	400/0	393/0
Sep	399/0	399/2	400/0	397/0
Dec	409/0	410/0	413/0	408/0
Mar	411/0	411/0	[illegible]	411/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.17	73.85	74.40	73.55
Apr	75.92	75.47	76.17	75.55
Jun	74.37	73.72	74.60	73.95
Aug	71.85	71.80	72.10	71.60
Sep	71.35	71.35	71.95	71.32
Oct	71.05	70.85	71.15	71.05
Dec	71.70	71.70	72.10	71.35

LIVE HOGS 30,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	45.10	46.52	46.35	45.82
Apr	44.55	45.75	45.80	44.85
Jun	49.22	49.57	49.80	49.22
Jul	49.45	49.77	49.85	49.45
Aug	48.10	48.55	48.55	48.00
Oct	45.10	45.45	45.45	45.10
Dec	46.30	46.70	46.40	46.10

PORK BELLIES 38,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	42.42	43.05	42.95	41.70
Mar	42.67	43.65	42.95	42.42
May	44.17	44.57	44.25	43.90
Jul	46.12	46.57	46.70	45.55
Aug	45.10	45.45	[illegible]	[illegible]
Feb	59.87	60.00	60.00	59.90
Mar	60.00	60.00	0	0
May	60.00	60.00	0	0
Jul	60.00	60.00	0	0

LONDON STOCK EXCHANGE

Gloomy start to 1989 for equities

THE FIRST trading session of the New Year saw UK equities in nervous form as worries over the effects of high domestic interest rates were stirred afresh by the warning from Mr Nigel Lawson, UK Chancellor of the Exchequer, that he would raise rates yet again if he thought it necessary to do so. The final blow to the London market came in late dealings, when Wall Street opened with a very sharp setback, driving UK equities to new session lows.

Account Dealing Dates		
*First Dealings:		
Dec 12	Dec 28	Jan 16
Option Declarations:		
Dec 22	Jan 12	Jan 26
Last Dealings:		
Dec 23	Jan 13	Jan 27
Account Day:		
Jan 9	Jan 23	Feb 6

*New time dealings may take place from 9.00 am two business days earlier

With many UK press and investment pundits warning that UK interest rates could remain high for some time, perhaps for two years, share prices opened lower in the face of a firm pound. In the absence of determined selling, shares tried to rally, with market indices spurred by news that RTZ was offering £2.4bn for the mineral interests of British Petroleum, and that the oil group would use the proceeds to buy back part of the stake in its equity held by the Kuwait Investment Office (KIO).

However, there was little strength in the recovery, and the market slipped back as New York bonds opened lower on fears of a tightening in Federal Reserve credit policy. London's nervousness over the US outlook was concentrated by Tokyo's holiday closure.

At the close, the FT-SE Index was 10.3 points down at 1782.8, extending the loss suffered on the last trading day of 1988. Turnover picked up from a slow start to give a final Seaq volume total of 323.8m shares. Store shares eased as the market nervously awaited definitive news on Christmas sales, which this year will provide evidence of the effects of current higher interest rate policies in the UK.

Fears that another wave of staff cutbacks is pending in the City were fuelled by a few departures at Fleming Securities as a new team moved into the equity market making department.

The trading screens were a sea of red at the close, although BP and RTZ provided valiant but lonely support for market indices. Both shares moved higher on the proposed minerals assets deal, but some doubts were expressed regarding the BP side of the equation.

Kleinwort Benson oil analyst, Mr Philip Lambert, commented that the decision to repurchase the KIO stock could prove "constricting rather than expansionary" for BP; "it leaves BP with debt gearing of over 70 per cent, on our estimates."

RTZ's decision to make a seemingly generous offer for the BP assets proved additionally upsetting for Consolidated Gold Fields, which tumbled sharply after the UK Monopolies and Mergers Commission confirmed that its inquiry into Minorco's aborted bid will range more widely into the geographical and financial background than anticipated in the UK stock market.

FINANCIAL TIMES STOCK INDICES

	Jan. 3	Dec. 30	Dec. 29	Dec. 28	Dec. 23	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	86.86	87.03	87.20	87.30	87.46	88.37	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.97	96.01	96.01	96.13	95.70	94.72	98.67 (25/5/88)	94.14 (8/1/88)	106.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1447.8	1455.3	1463.1	1447.1	1436.2	1437.1	1514.7 (8/8/88)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	160.7	161.9	162.6	164.5	163.3	295.9	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Jan. 3	Dec. 30	Dec. 29	Dec. 28	Dec. 23	Year Ago
Ord. Dl. Yield	5.08	5.04	5.01	5.06	5.10	4.33
Earning Yld %(full)	12.78	12.72	12.65	12.78	12.89	10.84
P/E Ratio(Net)(☆)	9.44	9.49	9.54	9.44	9.36	11.31
SEAQ Bargains(5pm)	18,529	7,678	15,329	11,410	10,257	27,878
Equity Turnover(£m)†	-	355.05	642.75	374.88	574.76	1022.55
Equity Bargains†	-	9,836	14,973	11,285	13,419	28,000
Shares Traded (ml)†	-	170.4	348.6	168.4	260.5	414.8

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1448.3	1448.7	1452.8	1452.4	1453.3	1450.8	1451.2	1450.4

DAY'S HIGH 1453.3 DAY'S LOW 1447.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. SE Activity 1974. ☆Nil 9.39 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Dec. 30	Dec 29
Gilt Edged Bargains	29.9	51.4
Equity Bargains	63.7	97.0
Equity Value	717.5	1299.2
5 – Day average		
Gilt Edged Bargains	51.1	62.4
Equity Bargains	90.9	104.4
Equity Value	1110.1	1337.6

● London Report and latest Share Index: Tel. 0898 123001

Analysts question BP plan

The long-running BP/Kuwait Investment Office (KIO) saga took another significant turn as BP revealed it had reached agreement with the KIO to buy back some 790m BP shares at a price of 247p a share. BP also announced that it had agreed to sell its minerals division to RTZ for $4.32bn.

The two deals had been expected by the market and BP shares were heavily bought both ahead of and following the news. The "old" raced up to touch 260p immediately after but subsequently dropped back to close a net 3 higher at 252p on turnover of 9.8m shares. The "new" shares spurted to 155½p before turning off and closing 3¼ harder on balance at 151p; turnover in this class of shares amounted to 11m.

The news was given a warm reception in the market – two leading marketmakers said the latest developments, particularly the price paid by RTZ for BP Minerals, were positive for BP. "It removes the overhanging shares from the market".

But oil industry analysts were by no means unanimous over the deal. Nick Clayton at Shearson Lehman was less than enthusiastic; "BP has sacrificed BP Minerals, with its rising and valuable profits profile, in an attempt to reduce the perceived influence of the KIO. It will focus investor attention much more on the merits of Shell in terms of its more balanced and better qualities". RTZ shares added 5 to 421p on the news with turnover expanding to 3m.

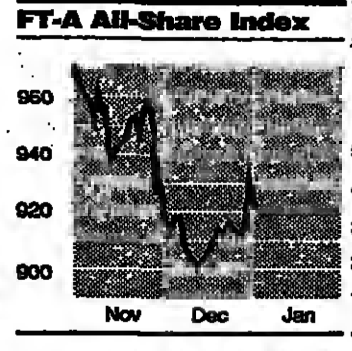
Cadbury poser

The takeover speculation that sustained Cadbury Schweppes throughout the second half of 1988 has all but disappeared following news that US foods group General Cinema is having trouble with the sale of its bottling interests to Pepsi. General Cinema, which holds 18.4 per cent of Cadbury, has long been favoured by the market to use the $1.5bn from its deal with Pepsi to make a bid for the UK confectioner.

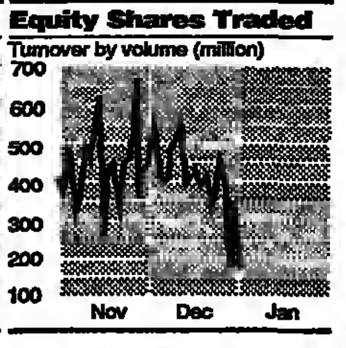
However, yesterday's announcement that the Federal Trade Commission in the US has asked General Cinema for more information on the deal with Pepsi left dealers convinced that at best the sale will be delayed, or at worst it could collapse altogether.

The result was a 10-point fall in Cadbury's share price to 328p amid trade of nearly 1m shares. However, this latest twist does not necessarily mean the shares should now be sold, said Mr Jerry Evans, analyst with County NatWest WoodMac. Evans – who issues a buy note in the stock today – believes the fall in the share price has brought the stock back to "fundamentally attractive levels."

FT-A All-Share Index



Equity Shares Traded



Avdel intrigue

Banner Industries intrigued the market yesterday, attempting to buy a further 2 per cent of Avdel, the UK fasteners group, after allowing its conditional offer for the company to lapse late on Friday. Marketmakers were surprised to learn that this did not contravene Stock Exchange rules because Banner had officially withdrawn from the contest.

The way should now be open for rival bidder Textron to succeed with its offer of 94p per Avdel share, although Banner will not accept in respect of its 44.57 per cent stake. The group said it was happy to continue as a major shareholder, but traders had other views. "I believe these are spoiling tactics and possibly an effort to squeeze a little more out of Textron", said one. The house acting for Banner found few sellers willing to accept bids of 94p and later 94½p for stock of Avdel, and the price rose to close 3½ higher at 96p.

A weakish dollar took its toll of the international leaders, although dealers reported few signs of selling pressure. ICI provided a firm exception, gaining 3 to 1015p with 1.3m shares traded.

Among the weaker spots, Consolidated Gold Fields, nervous over reports that the UK Monopolies and Mergers Commission inquiry into Minorco's bid for the company would investigate the situation more widely than expected, dropped 38 to 1051p. Among those flinching with concern over the dollar, Reuters "B" lost 8 to 516p.

The banks sector was described as "dreary" by one trader who said there had been only moderate but generally persistent selling pressure. Midland dipped 4 to 408p in very thin turnover as the bank launched its new interest paying accounts.

Standard Chartered, an *active market in the run to* Christmas, remained busy with the shares closing a net 2 firmer at 502p; dealers said there were whispers in the market that Lloyds Bank could well be considering launching another bid for Standard.

Dealers were slightly surprised by the generally resolute performances given by the insurance sectors, but admitted the "excellent defensive qualities of the area, which include high yields against the rest of the market". Life assurances closed with only marginal falls on the session with Legal & General only 2½ off at 288½p and Prudential a shade firmer on the day at 153p.

Watts Blake Bearne shares raced up 20 to 340p after an announcement that the 20.8 per cent stake previously held by English China Clays had been sold to two Continental companies. The two companies, Belgium's Sibelco and West Germany's Quarzwerke, hold 2.11m shares, or 10.4 per cent of Watts' capital, apiece. Dealers said the moves by the overseas companies could have increased the likelihood of a bid for Watts Blake – they also pointed out that English China would not have been allowed by the authorities to bid for Watts Blake – but said that the shares were "overvalued on a strict tradingbasis".

Other building issues were hit by the Chancellor's threat to continue to use the interest rate weapon if the need arises.

Housebuilder Bryant Group lost 4½ to 111½p and Barratt 6 to 169p.

Stores remained subdued *amid talk of further rises in* interest rates. Reports of better-than-expected pre-and post-Christmas sales had been discounted by the market last week, when the sector ended 1988 with a modest rally.

Ward White was a rare performer, rising 4 to 202p as year end buying spilled through into 1989, while antiques group Mallett gained 6 at 116p on the back of favourable comment in the weekend press.

Ferranti provided much of the action in the electronics sector, closing 3⅛ up at 96p after market speculation that news of the award of the Eurofighter radar contract or on CT2 cordless telephone, could well be imminent; turnover in Ferranti topped 4m.

Plessey shares bounced up to 225p prior to ending a net 4 higher at 224½p on volume of 3.6m, after the US Government announced it would not object to the GEC/Siemens joint bid for Plessey on the grounds that the bid might act against US national security. "This news clears another legal hurdle in the bid process, it seems to be going in GEC's favour", commented one dealer. GEC were a shade easier at 188½p after turnover of 2m.

There was plenty of profit-taking in Amstrad shares, which enjoyed a strong pre-Christmas run in the market; Amstrad stock closed 4½ lower at 174½p. Elsewhere, speculative buying lifted P-E International 16 to 198p.

TI suffered more than many other engineering concerns, falling 7 to 363p but Dale Group jumped 8 to 85p after the announcement that Beauford held nearly 24 per cent and had declared its offer unconditional.

Among active food stocks Bejam gained a penny to 167p on talk that the group's founder and chairman, Mr John Apthorp, had found a buyer for his 30 per cent stake at 165p cash. The holding was said to have been easily placed – "it could have been sold 3 times over" said a dealer – and at least one observer regarded the move as good news for Iceland Frozen Foods, which on Friday won control of Bejam at the last hour, because it removed a "potentially difficult force from the share register." Iceland, however, ran into selling pressure and closed 10 weaker at 291p with dealers expecting a flood of paper to hit the market in coming months as the £227m acquisition of Bejam goes through.

Christmas bid favourite Unigate continued its recent rise, advancing 5¼ to 355¼p on turnover of 3.6m as traders reported persistent buying from an Irish source. United Biscuits closed a halfpenny easier at 286p despite suggestions that Swiss investors were buyers of both the underlying stock and the options.

Miscellaneous industrial groups generally followed the blue chip issues lower, although there were exceptions. AAH Holdings responded warmly to the acquisitions from Tarmac, rising 8 to 283p while McLeod Russel benefited from a New Year recommendation and gained 7 to 124p.

Currency influences unsettled British Aerospace, down 7 at 420p, while news of US expansion by acquisition left English China Clays 5 cheaper at 451p. Other dull features included Hepworth, at 219p, and MB Group, at 251p, both with losses of around 6.

Jaguar drifted down with the weaker dollar to end 5 off at 264p and Lucas Industries lost 9 to 509p. Dealers mentioned that turnover was extremely thin thoughout the motor sec*tions where Armstrong Equipment* was lowered 6 to 157p after the profits forecast contained in the defence document, which again rejected the offer from Wardle Storeys. The latter described the forecast as "disappointing".

William Collins issues rose smartly as News International moved to match the terms offered last Friday by the mystery white knight. Presses de la Cité, the second largest book publisher in France, is expected to confirm shortly it is the unnamed bidder. Reports suggested that neither side was prepared to give up the battle for control of the UK book publisher but both classes of Collins' stock closed only tokenly above their respective bid levels. The Ordinary closed 36 up at 886p and the "A" 31 higher at 736p, compared with offer prices of 880p and 735p.

Land Securities closed 7 easier at 536p and MEPC 519p as properties were hit by fears of higher interest rates. Among the few to beat the trend were London Shop, up 5 at 331p on hopes that Mr Berish Berger of Land & Property Trust will launch a bid to rival Peel Holding's current £282m offer. Peel remained steady at 285p.

Hammerson saw its "A" shares climb 892p and the ordinary 6 to 934p after the bid from Dutch group Rodamco was cleared by the Office of Fair Trading. Laing Properites, which many believe could benefit if Hammerson produces a spectacular property revaluation in its fight against Rodamco, rose 2 to 441p.

Slightly more activity in Overseas Traders often reflected newspaper selections for the current year. Harrisons & Crosfield was in this category and rose 7 to 653p, a movement which subsequently aroused speculation of the group being ready to sell its plantation interests. Inchcape edged forward 2 further to 209p and REA Holdings (174p) also improved, the latter following the dividend declaration.

Lonrho, however, moved against the trend as some investors lost patience with Bond Corporation, the Australian-based major shareholder which may or may not bid for the company. After falling to 337p, Lonrho shares rallied to close only 3 down on balance at 340p.

Dealings in traded options were brought into life by the continuing rise of trading in the FT-SE 100 index contract, and by the BP news. Dealings in BP options came to 2,502 contracts, comprised in 2,373 calls and 129 puts, with the January 260 calls trading reaching 1,310 contracts – as the underlying price of the old shares rose 3p to 252p – with bargains not immediately matched included. There was closing of positions on both the call and put sides.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 19

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,900	130	-1
Allied-Lyons	204	437	-1
Amstrad	598	174½	-4½
Argyll Group	1,400	172	-2
Ass. Brit. Foods	71	305	-2
BAA	518	268	-2
BAT	935	451	-2
BET	295	224	-3
BICC	510	386	-2
BOC	987	420	-7
BPB Inds.	295	218½	-3½
BTR	1,300	294	-1
Barclays	429	404	-2
Bass	100	794	-3
Beazer	536	178	-3
Beecham	843	463½	-1½
Blue Arrow	1,300	82	-1
Blue Circle	322	419	-4
Boots	566	227	-4
British Airways	658	157	-3
Brit. Aerospace	728	420	-7
Brit & Comm.	494	295	
British Gas	4,100	157	-1
British Land	557	330	
BP	9,800	252	+3
British Steel	10,000	64½	-½
British Telecom	2,340	256	-½
Burmah Oil	795	481	+1
Burton	1,280	166	-3
Cable & Wireless	1,300	372	-5
Cadbury Schweppes	969	328	-10
Coats Viyella	2,700	146½	+½

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	557	335½	-½
Cons. Gold Fields	166	£12½	-½
Cookson	92	256	-2
Courtaulds	1,500	264	+1
Dalgety	424	302	-1
Dixons	526	131½	-2½
Eng. China Clays	127	451	-5
Enterprise Oil	348	461	-6
FKI Babcock	297	122½	-1½
Fisons	834	229	-2
Gateway Corp.	3,000	157	-2
General Accident	43	898	-5
General Elect.	2,800	188	-1
Glaxo	419	£10⅜	-⅛
Globe Inv.	336	137½	-1½
Glynwed Int.	11	282	-5
Granada	86	323	-1
Grand Met.	1,000	428	-2
GUS A	16	955	-10
GRE	1,100	189½	-1½
GKN	452	295	-2
Guinness	2,590	336	+2
Hammerson 'A'	123	893	+6
Hanson	3,397	154½	-½
Harrisons & Cros.	68	653	+7
Hawker Siddeley	119	539	-2
Hillsdown Hldgs	1,500	235	-4
IMI	410	181	-3
Imp. Chem.	1,300	£10⅛	
Inchcape	522	288	+2
Jaguar	239	264	-5

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	469	432	-2
Land Securities	1,000	536	-7
Laporte	139	358	-8
Legal & General	369	288½	-2½
Lloyds Bank	393	322	-2
LASMO	444	480	-4
Lonrho	1,200	340	-3
Lucas	704	509	-9
MB Group	349	251	-7
MEPC	316	519	-5
Marks & Spencer	1,500	150	-4
Maxwell Comm.	135	187	-1
Midland Bank	368	487	-5
Nat. West. Bank	672	510	-3
Next	4,200	137	-4
Northern Foods	114	291	-2
Pearson	14	642	-4
Pearl	72	422	-1
P & O	2,000	521	-9
Pilkington	1,000	203	-2
Plessey	3,502	224½	+4½
Prudential	2,500	152½	
Racal	820	276	-4
Rank Org.	226	732	-5
RMC	293	585	-8
RHM	225	345	-3
Reckitt & Colman	93	999	-9
Redland	290	416	-7
Reed International	352	366	-4
Reuters 'B'	566	508	-9
RTZ	3,000	421	+5
Rolls Royce	512	131½	-1

Stock	Volume 000's	Closing Price	Day's change
Rothmans	299	426	-5
Royal Bk. of Scotland	215	348	-2
Royal Insurance	934	382	-1
STC	631	267	-2
Saatchi & Saatchi	147	325	-5
Sainsbury	321	198	-1
Scott & Newcastle	21	389	
Sears	2,200	109½	-2½
Shell Transport	2,400	327	-5
Slebe	668	398	-2
Slough Ests	357	294	-4
Smith & Nephew	842	114½	-1½
Standard Chartd.	792	502	
Storehouse	368	195	-2
Sun Alliance	70	991½	+2½
T&N	349	161	-1
TSB	1,100	108½	-1
Tarmac	542	226	-4
Tate & Lyle	453	815	-1
Tesco	1,400	132	-1½
Thorn EMI	309	626	+1
Trafalgar House	405	290	-6
Trusthouse Forte	733	249	-2
Ultramar	1,900	292	
Unilever	329	464	-1
United Biscuits	896	286	-½
Utd. Newspapers	48	372	-1
Wellcome	247	400	-9
Whitbread 'A'	204	308	
Williams Hldgs.	565	225	
Wimpey	679	253	-4
Woolworth Hldgs.	276	234	-5

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (37).
AMERICANS (1) GATX, BANKS (2) Deutsche Bk., Cie B'cre., BUILDINGS (4) Johnstones Pts., Newarthill, SWP Grp., Watts Blake, ELECTRICALS (2) Newmark (L.), Polytechnic Elec., ENGINEERING (1) Ransomes Sims, FOODS (3) BSN, Barr (A.G.), Kwik Save, INDUSTRIALS (8) Avdel, Marling Ind., St. Gobain, Sanders & Sidney, Shanks & McEwan, INSURANCE (1) Allianz, NEWSPAPERS (1) Haynes Pub., PROPERTY (8) HK Land, INOCO, London Shop, Do. 8pc Cv. '94-'99, Do. 6.25pc '99-'04, SHIPPING (1) Lon. O'seas. Frts. 'B' Ptd., TRUSTS (1) Drayton E. Wrnts.
NEW LOWS (63).
BRITISH FUNDS (1) Exch. 12½pc 1990, LOANS (1) N'wide Ang. 12⅞pc 4.12.89, CANADIANS (1) Geodome Res., BUILDINGS (1) Polypipe, CHEMICALS (1) Engelhard, STORES (5) Burton Grp., Lowndes Q'way., Owen & Robinson, Relect Shop, Sock Shop Int'l., ELECTRICALS (3) Feedback, Kode Int'l., Personal Comps., ENGINEERING (2) Bullough, Laird Grp., FOODS (3) Acatos & Hutcheson, Banks (S.C.), Northumbrian Foods, INDUSTRIALS (3) Bluebird Toys, Norcros, Wills Grp., LEISURE (1) A & M Grp. 10pc Cv. Un. 1995, NEWSPAPERS (1) Johnston Press, PAPERS (3) BBB Design Grp., Filofax, Moss Tst., PROPERTY (2) Broadwell Land, Savills, TRUSTS (1) Amalgamated F. Invs., OILS (5) Claremont, Cluff Res., Fairhaven Int'l., Monarch Pet., North West Exp., MINES (7) Butfels, Elsburg, Ventersport, Western Areas, Loraine, OFS Invs., THIRD MARKET (2) Far East Res., Staks Hldgs.

APPOINTMENTS

■ From January 1 the following became executive directors of AITKEN CAMPBELL & COMPANY, Glasgow, discount house: Mr Andrew Palfreman, Mr Archibald C. McSporran, and Mr Gordon C. Perry.

■ NEWTON INVESTMENT MANAGEMENT has appointed Mr Stephen Burgess and Mr Richard Horlick as directors from January 1, and Mr Jonathan Powell and Mr Roy Prater become associate directors. All are promotions.

■ This month Mr Bram van Dijk takes over the role of managing director of the HOECHST GROUP's industrial paints company in the UK, HPG Industrial Coatings. He succeeds Dr Ed Hough, who is becoming managing director, materials technology Europe, at Johnson Matthey. Mr van Dijk joins from Herberts Group companies in Holland and Belgium.

■ Mr Graham Ross Russell, chairman of Laurence Prust Holdings, has been appointed a director of the SECURITIES AND INVESTMENTS BOARD from January 1 for a period of two years and seven months.

■ Lord Plummer of Marylebone retired on January 1 as chairman of NATIONAL EMPLOYERS LIFE ASSURANCE COMPANY, insurance subsidiary of Britannia Arrow. He is succeeded by Mr Kevin Ney, who has been deputy chairman since 1983. Mr Ney is also a deputy chairman of Britannia Arrow Holdings, the parent company. The new deputy chairman and chief executive is Mr John Finan, who recently joined the group from Pearl Assurance.

■ DENSITRON INTERNATIONAL, Biggin Hill, Kent, has appointed Mr Kevin Michael Finn to the board of its American subsidiary, Densitron Corporation. He joins from Omninet where he was executive vice president and general manager.

■ Mr J.R. Gatenby has joined the board of BRASWAY as a non-executive director. Prior to his retirement in October he was deputy regional director, West Midlands and Wales, for the National Westminster Bank.

B&Q makes promotions

Mr David Jobson, (left) formerly director of buying and a member of the executive board, has been promoted to the main board of B&Q as buying director. Mr Peter Monaghan, (centre) previously deputy chief executive of Dollond and Aitchison, joins the B&Q main board as operations director. Mr Hugh Lapham (right) takes over as director of merchandise, executive board, involving him in a move from operations. B&Q is part of the Woolworth Holdings Group.

■ Mr A.J. Philpot has been appointed a non-executive director of PORTMEIRION POTTERIES (HOLDINGS).

■ Mr Colin Bryan has been appointed a director of NICHOLSON CHAMBERLAIN AND COLLS, Lloyd's brokers. Mr Bryan is chairman of Nicholson Chamberlain and Colls (Reinsurance Brokers), a new subsidiary specialising in non-marine reinsurance. The other directors are Mr Stewart Bonnett, Mr Martin Lamb, Mr Nick Wilkins and Mr Les Williams. Mr Nigel Chamberlain, a founding director of NCC, is also a director.

■ SHERWOOD GROUP, Nottingham, lace maker, has appointed Mr Peter Newbold as finance director. He was group financial controller, and succeeds Mr Henry Prevezer who has retired. Mr Michael Basford, a Sherwood Group director, has been appointed managing director of Debford, the group's lingerie manufacturing subsidiary.

■ HENDERSON CROSTHWAITE, a subsidiary of Guinness Mahon Holdings, has appointed Mr Kevin Radford as an executive director, and Mr Peter Dolby as a director.

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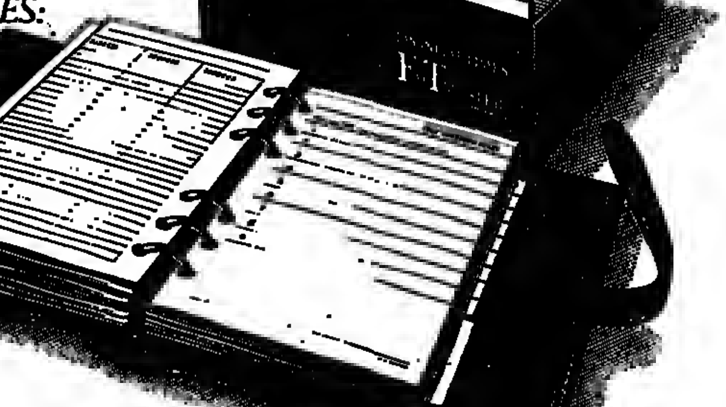
WHAT IS FACTMASTER?

FT Factmaster is a flexible, yet carefully structured system of personal organisation and time management that adapts itself to your specific needs.

With a very small investment of your time, your personal effectiveness will be transformed – you'll meet deadlines, stay ahead of the game and those around you will respond more positively towards their own tasks and objectives when they see the example you set.

FACTMASTER HAS THREE MAIN FEATURES:



Firstly, there is the portable ring binder which allows you to take everywhere only those pages or sections you really need on any particular day.

Secondly, there are 6 different printed sections which you can use to load your Factmaster in the way that suits you best:

Diary Section – includes a full year's page-per-day diary starting in the month of your choice.

Travel Section – contains sheets for business expenses, travel itineraries, route planners, travel checklists, motor running expenses and business contacts.

Task Management Section – The Financial Times' own practical and highly efficient time management system. Includes task priority indexes, task overviews, sub-task/action/timetables and work load charts.

Analysis/Private Investment Section – includes tables to monitor shares, overseas investments, insurances and year-end summaries, analysis sheets and graph pages in metric, imperial and logarithmic scales.

Address/Notes/Staff Section – pages enabling you to instantly jot down every conceivable note, idea, telephone number or staff record you may wish to store.

Starter Pack – consists of all the main tabs, 14 international city centre maps, London and UK maps plus all the basics for a full task management system.

Thirdly, there is the desk top databox designed to store your completed, spare or alternative pages.

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At the end of each working day, actions for the following day are listed and recorded in the Diary/Daily Plan pages. This is the system's link to the next day. The progress of all tasks is monitored automatically and new information is entered as it comes to hand.

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And finally there is the classic slimline pocketsize binder in smooth black cow hide with real gold-plated rings, and pockets for bank notes and 8 credit cards.

The Factmaster Databox is also an asset to any desk. This stylish black box with elegant gold embossing and hinging is designed to store and organise your completed, replacement and spare pages, and comes complete with its own FT pink section dividers.

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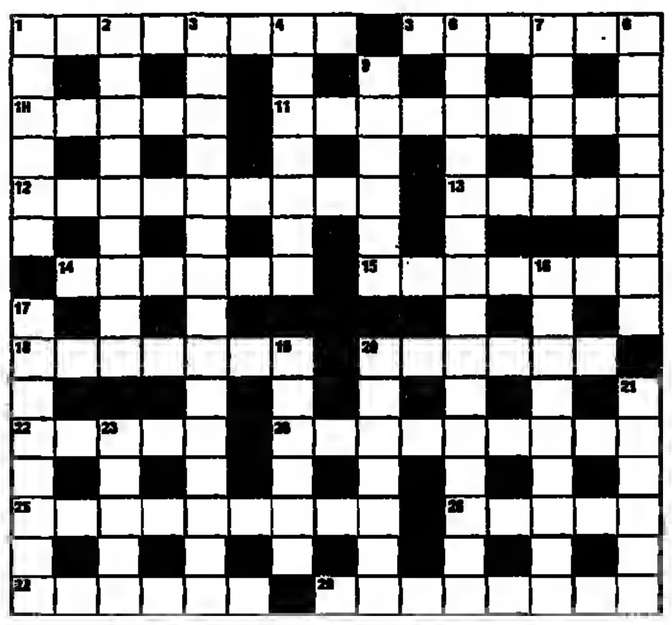
AUTHORISED UNIT TRUSTS

Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.6,825 Set by MUTT



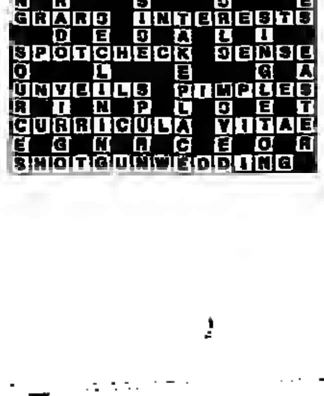
ACROSS

1 Go one better by turning a painter into a rodent (8)
5 Waggish *man* has come about the lettuce (6)
10 Place of birth (5)
11 Easily managed to reverse vehicle on board (9)
12 Article about fruit with talk mostly on providing food (9)
13 Affected way to dress? (3,2)
14 Cringe to introduce prince as poet (6)
15 Dead month to the end of August, without any pleasurable activity (7)
18 Gestures to leave cacti on shelf (7)
20 Hong Kong woman not quite in a panic – being brave? (6)
22 A crook needs hands (5)
24 Pole on all fours, doodling (9)
25 Changeable creature turned up outside hospital, back for Christmas (9)
26 Henri taking a walk by the river (5)
27 Being a bit despondent, it yelps (6)
28 Plastered, egad! Turn the gang out (8)

DOWN

1 Insist that one is able to dance? (6)
2 Attic poet needing a change of underwear (9)
3 Shattered about Archer turning up evidence against English bodyguard (6-5,4)
4 Turner is viewable, anyway (7)
6 A position in which one would be very happy? (2,3,2,3,5)
7 Gold piece in circulation (5)
8 Tiny tree, could be everlasting (8)
9 Faint, having spent about £50 (6)
16 Self-service? Non-stop (2,7)
17 Indiscriminate destruction of office space (8)
19 Rites performed on Sabbath by nun (6)
20 Tempestuous girl? And did she remember an inn? (7)
21 Old folks round about getting settled (6)
23 Sailor with terribly fat behind (5)

Solution to Puzzle No.6,824



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Jan 3	37.5	38.9xd	-0.5	2.42
Euro Expt Jan 3	43.5	45.6	+0.1	2.18
Fixed Int. Ex Jan 3	48.0	50.1xd	-0.1	10.15
Japan Expt Jan 3	58.0	60.3xd	-0.2	0.39
Managed Ex Dec 29	37.9	39.4		4.96
SE Asia Expt Jan 3	35.8	37.5	-1.5	3.03
Sm Cos Expt Jan 3	40.2	42.2	+0.4	2.95
UK Eqty Ex Jan 3	34.1	35.8	+0.4	5.71

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	205.2	216.0		–

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 6	774.0	820.0		4.20
Do Accum	799.0	846.0		4.20
PDFM Int Expt Dec 29	125.6	127.7		2.70

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	100.70	102.05	+4.72	2.36

INSURANCES

AA Friendly Society
(Investment Mngr: M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Dec 9		139.4		–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	264.0	277.9	+0.2	–
Equity Ser. 1	110.3	116.2		–
Prop. Acc. Ser 2	394.3	415.1	+0.2	–
Equity Ser 2	125.2	131.8		–
Selective Acc.	294.2	309.7		–
Prop. Ser. 4	318.9	335.1	+0.2	–
Equity Ser. 4	130.7	137.6		–
Fixed Int. Ser. 4	215.7	227.2	-0.3	–
Indexed Inv. Ser. 4	128.8	135.7	-0.2	–

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	197.0	207.4	—	—
Managed Prospect Fund	160.5	169.0	—	—
UK Equity Fd	235.9	248.4	—	—
Fixed Interest	159.9	168.4	—	—
Pacific	231.0	243.2	—	—
North American	103.8	109.3	—	—
Pens. Managed	221.9	233.6	—	—
Pens. UK Equity	251.9	265.2	—	—
Pens. Overseas Equity	288.2	303.4	—	—
Pens. Property	172.0	181.1	—	—
Pens. Fixed Interest	173.8	183.0	—	—
Pens. Index Linked	130.6	137.5	—	—
Pens. Deposit	164.5	173.2	—	—
P.R.P. UK Equity	109.6	115.4	—	—
P.R.P. Overseas Equity	102.6	108.1	—	—
P.R.P. Fixed Interest	118.2	124.5	—	—
P.R.P. Property	142.5	150.0	—	—
P.R.P. Index Linked	118.0	124.3	—	—
P.R.P. Deposit	113.6	119.6	—	—
P.R.P. Managed	111.5	117.2	—	—
P.R.P. With Profits	118.7	125.0	—	—
National Provident Institution				
48 Gracechurch St, London EC3P 3HR 01-623 4200				
Managed	291.5	306.9	−0.5	—
UK Equity	360.3	379.3	+0.7	—
Overseas Eq.	270.3	284.6	−0.2	—
American	202.2	212.9	−3.8	—
Far East	337.4	355.2	−0.6	—
Property	198.8	209.3	—	—
Fixed Int.	217.2	228.7	+0.3	—
Indexed Gilt	127.1	133.8	—	—
Deposit	145.1	152.8	+0.1	—
Pension Fund (Accum Units)				
Managed	377.1	397.0	−0.6	—
UK Equity	420.3	442.5	−1.0	—
Overseas Eq.	427.9	450.5	−0.1	—
American	270.7	285.0	−2.1	—
Far East	569.6	599.6	−0.9	—
Property	236.7	249.2	—	—
Fixed Int.	250.6	263.8	−0.4	—
Indexed Gilt	137.6	144.9	—	—
Deposit	184.7	194.5	+0.2	—
NPI Pension Management Ltd				
Managed Fund	862.1	908.0	+0.01	—
Prices January 3 Next dealing February 3				
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	53.9	56.8	−0.1	—
Stock Market Mngd Fund	51.6	54.3	−0.2	—
Equity Fund	54.1	56.9	−0.2	—
International Fund	49.6	52.2	−0.2	—
European Fund	52.0	54.7	+0.6	—
North American Fund	43.6	45.9	−0.7	—
Pacific Fund	61.7	65.0	−0.1	—
Property Fund	69.9	73.6	+0.1	—
Fixed Interest Fund	52.0	54.7	−0.2	—
Index linked Sec Fund	52.8	55.6	+0.2	—
Deposit Fund	55.3	58.3	−0.2	—
NUAM Retirement Plans				
Mixed Fund	58.0	61.0	−0.1	—
UK Ordinary Share Fd.	63.1	66.4	−0.3	—
International Fund	51.7	54.5	−0.2	—
Property Fund	68.9	72.5	+1.5	—
Fixed Interest Fund	57.1	60.1	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

JERSEY AUTHORISED

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	......	11.54	12.97
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	......	9.59	12.70
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.08	10.58
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.60	12.70
[illegible]	[illegible]	Exch. 10pc 1989	[illegible]	[illegible]	10.13	12.63
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	11.10	12.32
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.21	10.34
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	10.34	11.31
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.85	11.75
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.09	11.76
[illegible]	[illegible]	Exch. 12¼pc 1990	[illegible]	[illegible]	12.40	11.79
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.28	9.99
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.58	11.18
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.30	10.64
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.24	13.45
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.84	9.53
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.66	11.31
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.37	10.73
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.47	9.55
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.15	10.68
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	......	11.02	11.05
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.64	11.03
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.15	10.82
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.24	10.88
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.68	10.91
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.59	10.81
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.64	9.09
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.77	10.82
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.49	10.27
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.94	10.57
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.17	10.47
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.73	10.65
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.97	9.76
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.32	10.64

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.26	10.62
[illegible]	[illegible]	Treas 8½pc 1994 A	[illegible]	......	9.58	10.41
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	12.59	10.60
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.15	10.68
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.18	10.43
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.63	10.68
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.58	10.41
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.39	10.65
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]	......	3.76	7.02
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.35	10.47
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.52	10.52
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.06	10.69
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.60	10.25
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	12.36	10.59
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	11.65	10.51

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

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AMERICANS—Contd

1988/89 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♥Unilab	154p	......	–	–	–
24½	17⅝	Utd. Technologies	22½	–⅛	$1.60	–	3.9
163p	27p	♥Utilitech Inc.	128p	......	–	–	–
34⅝	26¾	US West§	31⅝	–½	$3.52	–	6.2
24⅞	16⅞	Waste Management $1	22⅝	–⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	13½	–⅛	$1.10	–	4.5
21⅞	16¾	Whitman Corp.	17½	......	96c	–	3.0
33⅞	10¼	♥Woolworth $3½	28¼	–⅞	$1.64	–	3.2

CANADIANS

1988/89 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	138p	♥ABM Gold Corp §	190p	+10	–	–	–
32p	7p	♥Abbot Energy Corp.	7p	......	–	–	–
14¼	882p	♥Amer. Barrick Res.	904p	+2	–	–	–
10p	2½p	♥Amer. Lightwave §	2¼p	–¼	–	–	–
47p	7¼p	♥Armeno	18½p	+1½	–	–	–
76p	24p	♥Augmitto Expln.	25¼p	+2	–	–	–
14½	10⅝	Bk. Montreal §	12⅞	–½	$2.00	–	7.1
769p	314p	Bk. Nova Scot. §	673p	–3	76c	–	3.1
18¼	13¼	BCE §	17⅜	......	$2.44	–	6.4
716p	527p	♥Bow Valley§	587p	+4	♦40c	–	3.1
13¾	10½	♥Brascan§	12½	......	88c	–	3.2
328p	177p	♥Breakwater Res.	184p	–2	10c	–	2.5
12¾	801p	Can. Imp Bank§	11½	......	$1.16	–	4.6
11½	841p	Can. Pacific §	10⅛	......	76c	–	3.4
41½	38½	Do. 4pc Deb £100	38½	......	4%	–	10.4
315p	357p	Central Capital "A" §.	391p	+1	–	–	–
485p	313p	♥Corona Corp.	340p	–3	–	–	–
886p	233p	♥Cons TVX Min.	253p	–3	–	–	–
371p	35p	♥Darbes Mem. Syst. §	41½p	+4½	–	–	–
686p	430p	♥Derlan Inds. §	541p	+17	11.75c	–	1.0
14¼	746p	♥Echo Bay Mines	771p	+20	$0.07	–	0.4
839p	249p	♥ECO Corp §	460p	–6	–	–	–
40p	11½p	♥Energex Minerals§	13⅞p	–½	–	–	–
125p	83p	♥Euro-Asia Capital §.	99p	–3	–	–	–
386p	196p	♥Galactic Resources	214p	+11	–	–	–
423p	267p	Gandalf Techs. Inc.	304p	+21	–	–	–
125p	46p	♥Geodome Res.	46p	–1	–	–	–
394p	141p	Granges Explo§	161p	+3	–	–	–
17p	4½p	♥Gt. Pacific Res.	6p	......	–	–	–
903p	376p	♥Gulf Canada§	667p	–3	52c	–	3.5
12¾	816p	♥Hawker Sid Can§	10¼	......	$1.08	–	5.1
590p	344p	♥Henlys Group	494p	–42	–	–	–
11¼	785p	♥Hudson's Bay §	11¼	......	60c	–	2.3
28	20¼	♥Imperial Oil§	23	–⅛	£1.80	–	3.6
20⅞	10⅛	Inco§	14⅛	–⅛	US$0.80	–	3.1
718p	462p	♥Inland Nat. Gas $1	999p	–1	60c	–	4.6
250p	100p	♥Madeleine Mines	185p	+3	–	–	–
207p	126p	♥Muscocho Expln.	184p	–2	–	–	–
187p	45p	♥Ntal Business Sys. §	47p	......	–	–	–
245p	91p	♥Nevada Goldfields	104p	+4	–	–	–
12	787p	♥Rio Algom	11¼	–¼	$1.30	–	5.4
17⅝	11½	Royal Bk. Can. §	17⅝	–⅛	$2.08	–	3.3
35¼	26⅞	Seagram§	33¼	–⅜	US$1.20	–	2.0
[illegible]	82p	♥Sonora Gold Corp§	82½p	+1	–	–	–
[illegible]	18p	♥Spiral Eng §	39p	+6	–	–	–
[illegible]	35p	♥Tam Pare Tech. Corp§.	74p	–8	–	–	–
[illegible]	11¼	Toronto-Dom. Bk. §	16⅞	–⅛	$1.12	–	3.1
[illegible]	566p	♥Trans Can Pipe.	690p	–21	68c	–	4.5
[illegible]	127p	Varity Corp§	154p	......	B–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*260	124	ANZ $A1	258	–2	Q034½c	♦	6.7	♦
*271	180	Allied Irish	245	–5	♥Q72.9%	3.1	6.2	8.4
£13¼	£10 7/16	Algemene Fl.10	£12½	+⅛	Q27%	1.9	6.2	–
73	58	Anglo Irish	63	......	Q19.64%	♦	6.7	♦
90	64	Ansbacher (H.) 1p.	78	......	2.0	–	3.4	–
£40½	£24¼	Banco Bilbao Viz.	£39¼	+¼	Q67.2%	3.1	4.1	7.7
£34	£27¼	Banco de Santander	£31⅛	......	Q22%	2.4	1.7	24.3
*272	184	Bank Ireland IrE1.	236	–5	Q15.67%	3.3	5.6	7.3
£18¼	£15	Bank Leumi	£17½	......	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

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HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

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SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
483	399	BAT Inds.	α	451	-2	†26.9	2.6	5.0	8.4
£115½	£108¼	Do. 12¼pc.Ln. '03/08.	γ	£108⅞	.....	Q12¼%	24.1	11.3	–
479	366	Rothmans 12½p.	α	426	-5	†10.0	3.9	3.1	9.2

TRUSTS, FINANCE, LAND

Investment Trusts

1988/89 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's
[illegible]	711	Alliance Trust	β	822	-4	†27.5	1.0	4.5
[illegible]	183	Alva Inv. Tst.	γ	213	+2	2.6	♦	1.6
[illegible]	59	Ambrose Inv. Inc.	γ	60	+1	†12.41	0.9	27.6
[illegible]	415	Do. Cap.	γ	500	.....	–	–	–
[illegible]	103	American Trust	β	124	-½	†3.4	1.4	3.7
[illegible]	103	American Tst. "B"	γ	122	.....	–	–	–
[illegible]	172	Anglo & O'seas Trust	β	211½	-2	†h3.75	1.2	2.4
[illegible]	153	Archimedes Inc.	γ	188	.....	14.55	♦	10.3
[illegible]	220	Do. Cap. 50p	γ	233	.....	–	–	–
[illegible]	93	Argo Inv (AS1)		106	.....	Q11c	1.1	5.0
[illegible]	73	Australia Inv Tst 50p.	γ	81	.....	2.7	1.1	4.4
[illegible]	373	Baillie Giff. Jap.	β	492	.....	–	–	–
[illegible]	62	Baillie Giff. Sh. Nip.	β	84½	-½	0.1	1.0	0.2
81	68	Baillie Gifford Tech	γ	81	.....	–	–	–
£29	£10¼	Bangkok Fund		£18½	-⅛	–	–	–
77½	60	Bankers' Inv.	β	72½	-½	F2.2	♦	4.1
166	140	Berry Starquest	γ	146	-1	m2.0	–	1.8
76	51	Bertrams Inv. Tst.	γ	76	.....	2.2	1.1	3.9
70	60½	British Assets	β	69	-½	‡2.8	1.1	5.4
£114½	£88½	Do. 6pc Cv Ln. '95.	γ	£107½	+2	Q6%	–	5.6
42½	34	Brit. Emp. Secs. 10p.	γ	40½	-½	0.66	0.3	2.2
529	440	Brit. Invest.	α	498	+2	‡19.0	1.0	5.1
119	96	Brunner Inv.	β	113	.....	3.1	♦	3.7
65	57	CDFC Trust 10p.	γ	60	.....	1.1	1.6	2.4
£93	£82½	Do. 6½pc Cv Uo Ln 2010	γ	£94¼	.....	Q6½%	–	7.7
393	320	Caledonia Invs. 5p.	β	357	.....	†7.0	1.3	2.6
110	65	Cambrian and Gen.	α	110	.....	♦5.85	1.3	7.1
135	88	Do. Cap 7½p	α	123	.....	–	–	–
£22	£17	Camellia Invs. 10p.		£20¼	.....	†17.0	2.1	1.2
44	31	Child Health 10p.	γ	31	.....	–	–	–
15	5	Do. Warrants		5	.....	–	–	–
78	68	China & East Inv 50c.	γ	78	.....	–	–	–
45	30	Do. Warrants	γ	30	.....	–	–	–
50	43	City & Com. Inc.	γ	44	.....	†5.45	1.0	16.5

Finance, Land, etc

OIL AND GAS

TRUSTS, FINANCE, LAND—Contd

OIL AND GAS—Contd

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Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock		Price	+ or -	Div Net	C'vr	Gr's	P/E
63	58	Rentaminster 5p.	γ	58	.....	a1.0	4.3	2.3	13.6
237	150	Royal Sovereign 10p.	γ	185	.....	‡4.6	1.9	3.3	17.3
26	20	Scott Pickford 10p.	γ	20½	.....	3.1	0.7	20.2	10.6
116	68	Season Hldgs.	γ	95	.....	Z1.0	–	1.4	–
15½	7	Sonic Tape 2½p.	γ	7½	.....	♦	–	–	9.9
[illegible]	17	Staks Hldgs. 5p.	γ	17	-2	–	–	–	20.1
[illegible]	2¼	Swanyard Studios 1p	γ	2½	.....	–	–	–	‡
[illegible]	200	Takare	γ	285	.....	b1.0	8.1	0.5	29.5
[illegible]	26	Tomorrows Leisure 20p	γ	28	.....	–	–	–	13.9
[illegible]	11½	Tullow Oil 10p.	γ	19	.....	–	–	–	–
[illegible]	105	UPL Group 10p.	γ	110	.....	L2.41	4.3	2.9	15.0
[illegible]	120	Unit Group	γ	147	.....	F7.5	2.9	6.8	8.4
[illegible]	12½	Windgate Leisure 20p.	γ	13	.....	–	–	–	–
[illegible]	6	Do. Wrrnts.	γ	10	.....	–	–	–	–
[illegible]	2	Wilton Group		5½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ *Merger bid or reorganisation in progress*
- ✣ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.	γ	67	.....
Craig & Rose £1.	γ	710	.....
Finlay Pkg. 5p.	γ	86	.....
Holt (Jos) 25p.	γ	£11¼	-¼

IRISH

Cap. 8¼% Ln. 1991	£99⅝	.....
9pc Cap Ln. 1996	£102	-1¼
Fin. 13% 97/02	£124¼	.....

Arnotts		385	.....
Carrol (P.J.)	γ	145	.....
Grafton Grp.	γ	143	.....
Hall (R. & H.)		152	-1
Helton Hldgs.	γ	63	+3
Irish Ropes		170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
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Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	27
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Early selling depresses dollar

THE DOLLAR started the New Year on a sharply lower tack, and although it recovered a little in the afternoon, it was still well below last Friday's closing levels.

Early business saw a flurry of dollar selling, but trading volume was still relatively thin. The initial move was possibly the result of one large selling order, although some traders snggested that tha decline was more a reaction to corporate driven demand in the run up to Christmas. Others hold the view that investors are unhappy with the slim prospect of an early reduction in the US trade and budget deficits.

This time last year, central banks carried out an extremely effective squeeze on dollar bears, but the degree of harmony within the Group of Seven is, some would argue, more open to question this time round. The West German Bundesbank has already made abundantly clear its displeasure with any further dollar rise.

Reaction in currency markets to a recent survey by the US National Association of Purchasing Managers has been mnted, even though the report suggests continued strong economic growth in the US.

Nevertheless, investors are likely to remain cautious until after the release of US employment data for December, due on Friday.

The dollar closed at DM1.7645, down from DM1.7740 on Friday, but up from a low of DM1.7555. Against the yen it fell to Y123.60 from Y125.00. Elsewhere, it finished at SFr1.4975 from SFr1.5025, and FFr6.0250 compared with FFr6.0575. On Bank of England figures, the dollar's exchange rate index fell from 65.3 to 64.8.

US construction spending in November rose by 0.8 p.c. against expectations of a 0.2 p.c. increase, but there was little immediate reaction in currency markets.

Sterling gained from the initial dollar sell off. Confidence was also enhanced by comments from Mr Nigel Lawson, UK Chancellor of the Exchequer, repeating his determination not to hesitate in using higher UK interest rates, in order to combat inflation.

This provided the pound with a firm base, and its exchange rate index rose from an opening level of 97.8 to finish at 97.9, np from 97.4 on Friday.

Sterling rose to $1.8230, its best level since mid-December, and up from $1.8090 on Friday. It was also higher against the D-Mark at DM3.2175 from DM3.2075, but fell in yen terms, to Y225.25 from Y226.00. Elsewhere, it finished at SFr2.7300 from SFr2.7175 and FFr10.9850 against FFr10.9575.

Trading within the European Monetary System remained low key. Investors are still awaiting a clear dollar trend before taking a view. A weak dollar is likely to increase the pressure on existing parities, and renew calls for a realignment within the system.

December monthly averages against the dollar are: sterling 1.8271; D-Mark 1.7550; and yen 123.49.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6005	+2.69	+0.85	±1.5344
Danish Krone	7.85212	8.03903	+2.38	+0.54	±1.5404
German D-Mark	2.05853	2.07902	+1.00	-0.84	±1.0981
French Franc	6.90403	7.10180	+2.86	+1.02	±1.3674
Dutch Guilder	2.31943	2.34696	+1.19	-0.65	±1.5012
Irish Punt	0.768411	0.777901	+1.24	-0.60	±1.6684
Italian Lira	1483.58	1531.73	+3.25	+2.14	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

Jan.3	Bank of England Index	Morgan Guaranty Changes %
Sterling	97.9	-14.5
U.S Dollar	64.8	-13.3
Canadian Dollar	100.9	-1.5
Austrian Schilling	107.0	+9.9
Belgian Franc	106.5	-5.9
Danish Krone	104.6	-0.4
Deutsche Mark	113.7	+21.3
Swiss Franc	109.6	+19.1
Guilder	110.7	+13.5
French Franc	99.2	-15.5
Lira	97.9	-20.1
Yen	152.5	+85.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates . e for Dec.30 .

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

Jan.3	£	$
Argentina	29.8750-30.0375	16.3700-16.4500
Australia	2.1005-2.1035	1.1505-1.1515
Brazil	1389.70-1397.35	761.50-765.25
Finland	7.5075-7.5295	4.1130-4.1150
Greece	265.70-270.25	145.65-148.30
Hong Kong	14.2330-14.2465	7.8060-7.8080
Iran	123.70*	68.00*
Korea(Sth)	1233.60-1243.55	681.30-686.90
Kuwait	0.51390-0.51510	0.28175-0.28185
Luxembourg	67.30-67.40	36.90-37.00
Malaysia	4.9135-4.9255	2.6970-2.6990
Mexico	4167.15-4187.70	2284.00-2294.00
N. Zealand	2.8635-2.8710	1.5725-1.5760
Saudi Ar.	6.8385-6.8490	3.7495-3.7505
Singapore	3.5330-3.5385	1.9360-1.9380
S. Af (Cm)	4.2990-4.3110	2.3600-2.3630
S. Af (Fn)	6.9510-7.0865	3.8095-3.8835
Taiwan	50.90-50.15	28.10-28.20
U.A.E.	6.6960-6.7085	3.6725-3.6735

*Selling rate

FINANCIAL FUTURES

US bonds lose ground

US TREASURY bond futures weakened on Liffe yesterday, closing at 88-08 for March delivery, just above the day's low of 88-06, compared with Friday's close of 89-06.

Renewed dollar weakness depressed bond prices, and the market also reacted negatively to signs of a strong US economy. Consumer confidence in December was reported to be the highest for several years and the US purchasing managers report for December showed vigorous growth.

Sterling denominated contracts also lost ground. New Year interviews by Mr Nigel Lawson, the Chancellor, reinforcing his commitment to fight inflation, and raise interest rates if necessary, led to the weak tone.

Long gilt futures traded quietly, showing volume of only slightly above 8,500. The March contract opened at 95-09, and touched 95-00, before closing at 95-05, compared with 95-14 on Friday.

March short sterling futures opened and closed at 86.95, falling from 87.03, on fears of higher UK interest rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	512	638	2	4
92	319	449	9	15
94	139	309	29	39
96	35	155	125	121
98	10	101	300	271
100	3	30	457	360
102	1	12	655	542

Estimated volume total, Calls 905 Puts 30
Previous day's open int. Calls 16178 Puts 13844

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	624	635	8	37
84	435	500	19	102
86	257	338	41	140
88	134	227	118	229
90	47	135	231	337
92	19	60	403	462
94	9	36	557	638

Estimated volume total, Calls 120 Puts 260
Previous day's open int. Calls 2419 Puts 3684

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
16500	1738	48
17000	1305	115
17500	925	235
18000	614	424
18500	382	692
19000	219	1029
19500	117	1427

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

MONEY MARKETS

A firmer tone

THERE WAS a slight firming of interest rates on the London money market yesterday, on response to the warning by Mr Nigel Lawson, the Chancellor, about the possibility of higher bank base rates. Three-month sterling interbank rose to 13¼-13⅛ p.c. from 13⅛-13⅞ p.c.

The Benk of England initially forecast a money market credit shortage of £1,250m, but revised this to £850m at noon. Total help of £785m was provided.

UK clearing bank base lending rate 13 per cent from November 25

An early round of help was offered, and at that time the authorities bought £405m bills outright, by way of £258m bank bills in band 1 at 12⅞ p.c.; £17m bank bills in band 3 at 12$\frac{13}{16}$ p.c.; £23m local authority bills in band 4 at 12⅞ p.c.; and £107m bank bills in band 4 at 12⅞ p.c.

Another £113m bills were bought before lunch, via £36m bank bills in band 1 at 12⅞ p.c., and £77m bank bills in band 4 at 12⅞ p.c.

In the afternoon the Bank of England purchased £172m bills, including £72m outright, through £20m bank bills in band 1 at 12⅞ p.c.; £18m bank bills in band 2 at 12$\frac{13}{16}$ p.c.; £11m bank bills in band 3 at 12$\frac{13}{16}$ p.c.; and £23m bank bills in band 4 at 12⅞ p.c. Another £100m bills were bought for resale to the market, on January 9, at a rate of 12$\frac{13}{16}$ p.c. Late assistance of around £95m was also provided.

Bills maturing outside official hands and repayment of any late assistance added a net £362m to liquidity. A fall in the note circulation added a further £535m. These factors were outweighed by the unwinding of repurchase agreements on bills, draining £35m; Exchequer transactions absorbing £2075m, and bank balances below target of £35m.

In New York the Federal Reserve added temporary reserves to the banking system, via two-day system repurchase agreements, when Federal funds were trading at 9$\frac{1}{16}$ p.c. US Trust Co cut its broker loan rate to 10¼ p.c. from 10⅞ p.c.

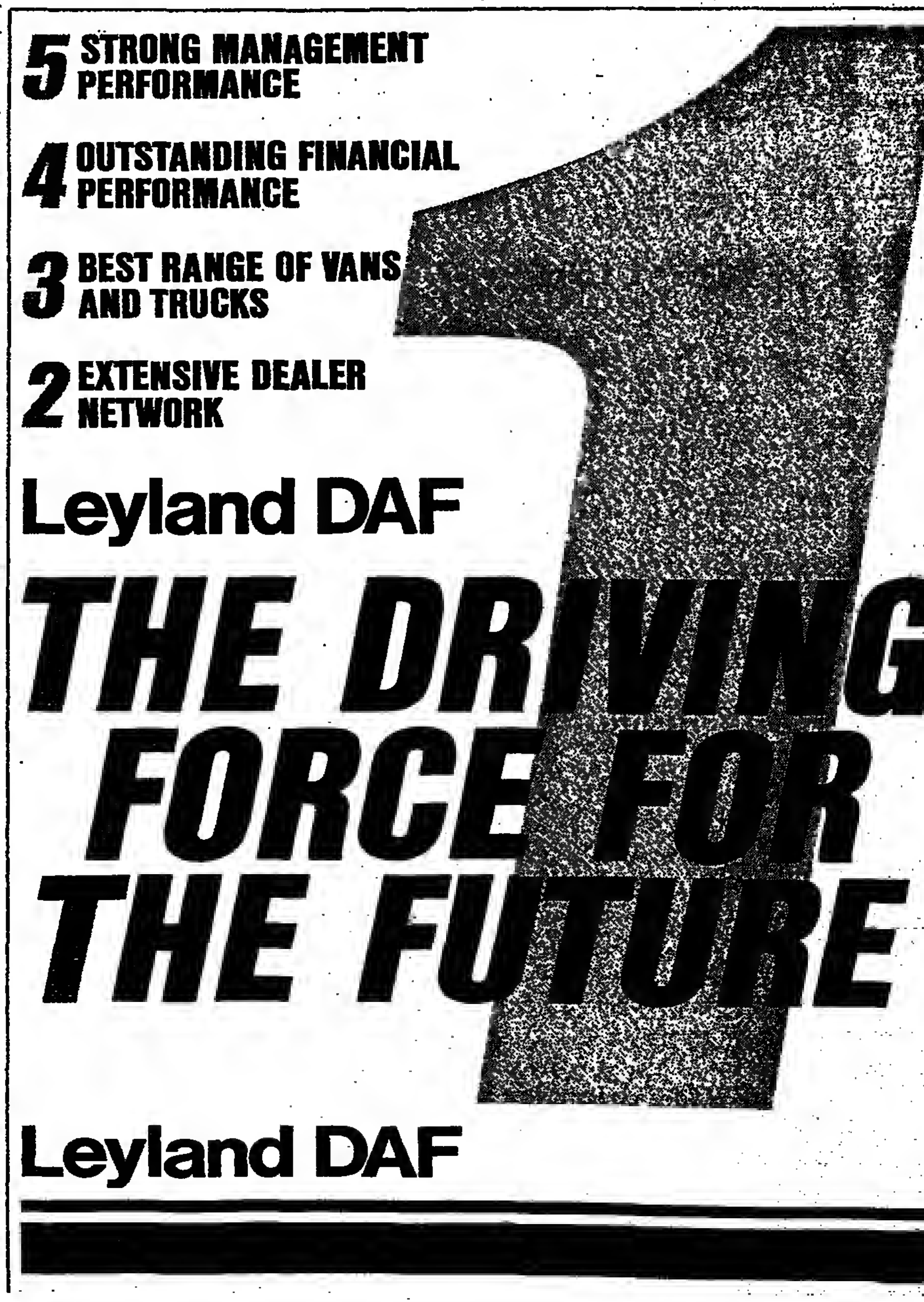
In Frankfurt dealers expect the Bundesbank to pursue a slightly tighter monetary policy this week. The central bank's council meets on Thursday, but is not expected to change its monetary stance.

Further developments are likely to depend on the allocation of funds at this week's securities repurchase tender. The Bundesbank has offered a two-tranche tender at a fixed rate of 5 p.c., and also with no minimum bid rate. Two earlier facilities totalling DM27.9bn expire today.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES



WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY (continued)

GERMANY

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA (continued)

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO

2pm prices January 3

INDICES

NEW YORK DOW JONES

	Dec 30	Dec 29	Dec 28	Dec 27	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2168.57	2182.68	2166.43	2162.68	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.59	88.53	88.78	88.57	91.25 (3/3)	86.12 (4/1)	–	–
Transport	969.84	973.61	965.62	964.57	973.61 (29/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.28	186.82	185.93	185.75	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2193.75 (2193.04) Low 2162.50 (2165.18)

STANDARD AND POOR'S	Dec 30	Dec 29	Dec 28	Dec 27	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.72	279.40	277.08	276.83	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	321.26	323.38	320.49	320.18	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.49	24.63	24.49	24.46	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.26	156.90	155.81	155.58	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	306.01	303.69	302.14	301.44	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	381.38	379.05	376.76	376.64	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 23	Dec 16	Dec 9	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.73	3.71	3.46
	Dec 28	Dec 21	Dec 14	year ago (approx.)
S & P Industrial div. yield	3.20	3.19	3.22	3.31
S & P Indl. P/E ratio	12.86	12.86	12.73	16.39

TRADING ACTIVITY † Volume Millions

	Dec 30	Dec 29	Dec 28
New York	127.210	131.290	111.949
Amex	16.240	12.650	9.730
OTC	136.938	121.138	105.448

NEW YORK	Dec 30	Dec 29	Dec 28
Issues Traded	1,994	1,981	1,954
Rises	934	981	780
Falls	585	476	592
Unchanged	475	524	582
New Highs	55	37	32
New Lows	21	25	31

CANADA

TORONTO

Metals & Minerals

Composite

MONTREAL Portfolio

NEW YORK ACTIVE STOCKS

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 3	Jan. 2	Dec. 30	Dec. 29	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1480.0	(c)	1487.4	1486.4	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	675.7	(c)	676.8	678.4	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	221.0	219.5	(c)	219.3	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5520.70	(c)	(c)	5565.50	5565.5(29/12/88)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	279.78	277.44	271.81	269.09	279.78 (3/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	(u)	727.0	732.3	729.9	772.1 (8/8/88)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	418.4	(c)	415.6	412.3	418.4(3/1/89)	251.3 (29/1/88)
Ind. Tendance(31/12/87)	160.5	(c)	160.1	158.7	160.5(3/1/89)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	560.77	548.23	(c)	549.86	560.77(3/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1658.1	1647.2	(c)	1651.9	1664.3(27/12/88)	1207.9 (29/1/88)
DAX (30/12/87)	1359.33	1335.01	(c)	1327.87	1359.33(3/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2706.69	(c)	2687.44	2692.40	2772.53 (12/7/88)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	598.27	593.23	589.72	590.37	598.27 (3/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	(c)	(c)	(c)	(c)	30159.0(28/12/88)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	(c)	(c)	(c)	(c)	2357.03 (28/12/88)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	291.6	289.3	(c)	287.2	291.6 (3/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	256.2	252.8	(c)	251.5	256.2 (3/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	472.96	467.17	467.75	466.14	472.96 (3/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1034.23	(c)	1038.62	1044.20	1177.87 (8/8/88)	833.60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1293.0♦	(c)	1301.0	1302.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	1961.0♦	(c)	1954.0	1934.8	1954.0 (30/12/88)	1387.0 (12/2/88)
SPAIN ♦						
Madrid SE (30/12/85)	276.02	276.05	274.43	272.96	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3333.9	(u)	3443.8	3442.3	3443.8 (30/12/88)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	613.1	(c)	(c)	603.8	613.1 (3/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	495.1	494.4	493.6	495.1 (2/1/89)	401.0 (21/1/88)

**Saturday Dec. 31: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

3pm prices January 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	13⅝	AAR	.44	1.8	17	119	24⅞	24⅝	24⅞	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		376	9¼	8⅞	9¼	+ ⅛
12¼	10¼	ACMIn	1.26e	12.		484	10⅝	10⅜	10½	
10⅝	8½	ACM M	n.17e	1.9		111	8¾	8⅝	8⅝	
18⅞	10⅛	ACMSc	41.26	12.		524	10⅝	10⅛	10¼	
10⅞	8½	ACMSp	n1.01a	11.		162	9⅞	8¾	8⅞	
5⅞	2⅞	AMCA	.12e	3.8		78	3⅛	3⅛	3⅛	
8⅞	3⅞	AM Intl				229	5	4⅞	4⅞	– ⅛
23¼	18⅛	AM Int pf	2	9.2		8	21¾	21⅝	21¾	+ ⅛
[illegible]										

Continued on Page 33

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	21	Rubmd.	.44	1.7	19	792	25¾	25	25½	+ ⅛
28½	17½	RussBr	.40	2.1	6	1025	19⅛	19	19	− ⅛
16⅞	12	RussTg	.60	4.7	20	110	10	12⅝	12⅞	− ⅛
17¾	11½	Russell	.24	1.8	12	430	12	15⅝	12⅞	− ⅛
32½	22⅞	Ryder	.56	2.2	10	3340	25⅛	25¾	25⅞	− ⅛
31½	23⅞	Rykoff	.76	2.4	16	595	u32	31½	31½	− ⅛
20⅝	13⅜	Rylands	.60	2.9	6	232	20⅛	20⅛	20⅜	− ⅛
13¼	8⅝	Rymer				25	8¾	8⅝	8⅞	+ ⅛
10	7⅛	Rymer pf1.17		14.		60	8½	8½	8½	− ⅛
		— S-S-S —								
34½	28⅛	SCEcp	2.48	7.8	8	1907	32½	31⅝	31⅞	− ⅝
9½	6½	SCOR U.10e		1.1	6	133	9⅛	8⅝	8⅞	− ⅜
10⅝	7⅝	SL Ind. .17b		2.0		17	8½	8⅜	8⅝	
45⅞	25	SPSTec	1.20	2.8	29	8	43⅛	43	43	
40⅝	29½	SPX Cp	1.20	3.2	15	363	38⅛	37½	38	− ⅛
31⅞	18¾	SSMC			73	130	22	21⅞	21⅞	− ⅛
23¼	17	Sabine	1.04e	5.7	7	220	18¼	13	12⅛	+ ⅛
13⅞	11⅛	SabnR	1.37e	11.	9	133	16⅛	13	12	− ½
17⅞	13⅝	SfgdSc			8	67	16⅛	16	16	− ½
28¼	21⅞	SafKIn	.30	1.0	91	782	24⅛	24	24½	− ⅛
9¼	6⅞	SahCas	1.12	13.		25	8⅝	8½	8⅝	+ ⅛
24½	16	StJoLP	1.40	7.0	9	36	20¼	20⅛	20⅛	− ⅛
19⅞	6⅞	Salant				15	19⅛	13¾	18⅞	− ½
86½	70	SalHeld	.80	1.0	17	893	84⅞	84	84⅛	− ½
28⅞	18⅛	Salomn	.64	2.6	17	3309	25	24⅛	24⅞	+ ⅝
38½	30	SDieGs	2.80	6.9	13	714	38⅛	37⅝	37⅝	− ⅜
8¼	6½	SJuanB	.30e	3.9	19	43	7⅝	7⅝	7⅝	− ¼
14½	9⅞	SJuanR	2.25a		12	24	12⅞	12⅛	72⅛	− ⅛
34¼	29⅞	SAntRt	2.08	6.4	16	56	32⅛	32½	32½	
16⅞	11¼	SFeEP	2.08	23.		77	12⅞	13	12⅞	+ ½
20⅞	20	SFePP s				759	20⅞	20½	20½	− ¼
25½	14⅛	SFeSP s				1011	17⅛	17¼	77⅛	
51½	32⅞	SaraLee	1.44	3.3	15	5526	45⅛	43⅛	43⅝	+ 1⅝
13⅜	13⅛	SavE pf1.28		12.		2	11	17	11	+ ⅛
⅞	11-64	Savin			10	33169	15-32	⅛	13-32	− 1-32
8⅞	4⅞	Savn pfB.80		10.		406	n 8½	E	8	− ⅛
8⅛	3⅞	Savn pfD.10		1.2		130	s 8⅝	8⅛	8⅛	− ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High
24⅞	31⅛	TECO	1.42	6.1	11	251	[illegible]
18½	8	TGIF			23	187	[illegible]
10⅛	7⅞	TIS n	.42e	5.2		181	[illegible]
25¾	14⅞	TJX	.30	2.3	14	282	[illegible]
20½	15⅛	TNP	1.47	7.5	4	40	[illegible]
64	45⅝	TRW	1.72a	4.1	9	554	[illegible]
27⅞	13⅞	TW Svc	.10	.4	28	625	[illegible]
2⅜	27-64	TacBt				208	
40⅞	19½	Taiwan	10.85e			184	34⅞
17⅛	11⅞	Talley	.30	2.2	60	280	[illegible]
23	17⅛	Talley pf	1	8.3		3	[illegible]
63⅛	38⅞	Tambd	2.04	9.5	18	161	[illegible]
29⅛	12⅞	Tandem			18	2549	[illegible]
45⅞	31½	Tandy	.60	1.5	11	1349	[illegible]
18⅞	12⅞	Tndyct			24	61	[illegible]
18⅛	10⅛	TchSym			13	105	[illegible]
30⅛	16	Tektrnx	.60	2.5	28	842	[illegible]
2⅞	1⅛	Telcom			20	15	[illegible]
21⅛	13⅛	TlcmUS			13	114	[illegible]
348½	290⅛	Teldyn	4	1.2	9	203	[illegible]
28⅛	21⅛	Telef	1.15e	4.9	8	1808	[illegible]
21⅛	12⅛	Telerte	.32	2.1	15	807	[illegible]
58⅝	40⅛	Templn	.64	1.8	7	647	[illegible]
10⅛	10	TmpGG n.07e		.7		180	10⅛
10½	8	TmpGl n.96		11.		717	[illegible]
10⅛	8⅛	TmplVl n.07e		.8		169	8⅝
61	38⅛	Tenneco	3.04	6.3		1220	[illegible]
87½	80	Tenc pr	7.40	7.8		15	[illegible]
17⅞	10⅞	Terdyn				1984	[illegible]
13⅛	5⅛	Tesoro			294	446	[illegible]
23	13⅞	Tesor pf				20	[illegible]
52⅛	38⅞	Texaco	3	3.9	13	4494	[illegible]
4½	⅛	TxABc				585	[illegible]
34½	21⅛	TexEst	7	3.6	9	482	[illegible]
44½	20⅛	Texind	.60b	2.4	28	147	[illegible]
36	34½	TexInst	.72	1.5	11	2924	[illegible]
32	26	TxPac	.40	1.3	48	7	[illegible]

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅛	46	Xerox pf4.13		5.8		5	47⅛	47⅛	47⅛	+ ⅛
38⅞	21⅛	XTRA	.72	1.9	14	66	37½	37⅛	37⅛	− ⅜
8⅞	2	Zapata				317	2⅛	2⅛	2⅛	
27⅛	14⅛	Zayre	.40	1.6	167	947	25½	24⅞	25	− ½
15½	8⅛	Zemex	.40	3.0	17	18	13⅛	12⅞	13⅛	+ ⅛
60	18⅛	ZenithE				536	18⅞	18⅛	78⅛	− ⅛
10⅛	8	Zenln	s.58e	6.3		20	8⅝	9⅛	9⅛	+ ⅛
3⅛	1	vjZenLb				134	1⅛	1⅛	1⅛	+ ⅛
21⅛	13⅛	ZenNt	.80b	4.5	5	49	17⅞	17⅛	17⅞	+ ⅛
14⅞	13	Zero	.44	2.5	15	183	17⅛	17⅛	17⅛	+ ⅛
29	12⅞	Zurnia	.68	2.5	10	29	27⅛	26⅛	28⅛	− 1
11⅛	8⅛	Zweig	1.04	10.		337	10⅛	10⅛	10⅛	− ⅛
10⅛	8	ZweigT	n.18e	1.7		218	9⅛	9⅛	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 3

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
PopeEv			75	5-16	5-16	5-16	+ 1-16
Prscd B		119	1	4⅛	4⅛	4⅛	− ⅛
ProsCm		1	228	6⅛	6	5⅞	
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 3

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

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FINANCIAL TIMES Wednesday January 4 1989

AMERICA

Stock index arbitrage is trigger for Dow descent

Wall Street

HOPES of an explosive start to 1989 to match 1988's strong rally on the first trading day of the year were yesterday dashed as the Dow Jonee Industrial Average slumped, along with Treasury bonds and the dollar, *writes Janet Bush in New York.*

At 2 pm, the Dow stood at 2,134.11, down 34.46, although the drop came in modest volume of 86m shares by midsession.

The Dow had traded last week above its post-October 1987 crash high set on October 21 of 2,183.50 but on Friday it ended at 2,168.57 and yesterday retreated further from that important pschological level.

The rot set in as soon as the market opened as rounds of selling related to stock index arbitrege took the market swiftly lower. Follow-through selling then set in, reflecting extreme weakness in bonds and a dollar under pressure, particularly against sterling and the West German D-Mark.

The D-Mark was boosted by news that the West German trade surplus had jumped to DM13.1bn in November from a DM10.57bn surplus the previous month. Sterling rose after Mr Nigel Lawson, British Chancellor of the Exchequer, warned that interest rates might have to be raised again in order to bear down on UK inflation.

The dollar was vulnerable anyway after a bout of year-end corporate buying, amid generally bearish expectations for the US currency this year. One of the sources of a negative view of the dollar's prospects is the fact that non-US Group of Seven nations seem set to raise their interest rates.

West Germany raised its Lombard rate just before Christmas and a senior Bank of Japan official was yesterday reported to have said that officials now feared that the Japanese economy is overheating which could result in rising inflation.

Unless these interest rate rises are ewiftly matched in the US, the dollar can be expected to come under pressure. Althougb there appears to have been a fairly aggressive tightening move in the money market by the Fed, there has been no discount rate rise. Some members of the Board are known to be reluctant to make this move without more conclusive evidence of inflationary pressures in the US economy.

US stocks were dragged lower partly by a sell-off in the bond market, in reaction both to the weakness of the dollar and also to the latest report by national purchasing managers covering December. They concluded that the US economy displayed vigorous growth last month and that new orders, exports and production accelerated during the month.

Blue chips were weak across the board. Merck dropped $1¼ to $56⅝, Procter & Gamhle slumped $2¼ to $84⅞, General Electric dipped $⅜ to $44⅛ and IBM was $¾ lower at $121⅛.

Among featured individual stocks was MCorp, whicb bucked the lower trend of the market to stand $⅛ higher at midsession at $¾ after reports that Kohlberg, Kravis Roberts is considering a buy-out.

General Cinema dropped $2 to $28½ after news of a delay in the $1.5bn sale of its soft drink bottling operations to Pepsico.

British Petroleum's American Depository Shares on the New York Stock Exchange added $1⅛ to $54⅞ after news that the company has agreed to sell the bulk of its mineral assets to RTZ for $4.32bn and will use most of the proceeds to huy back shares held by Kuwait.

Canada

A RETREAT in Toronto hy midday was led by falling base metal shares and gold issues. Profit-taking pulled the market lower over a broad range, following last Friday'e rally.

The composite index fell 34.6 to 3,355.4 on thin turnover of 9.3m shares, amid fears of rising interest rates.

Japanese smiles hint at profits yet to come

With the Nikkei at record levels, forecasts are optimistic, writes Michiyo Nakamoto

MOST Japanese investors are toasting the new year with confidence and wearing what eppear to be the tell-tale smiles of a profitable year. Tokyo is in a good mood these days.

There are plenty of factors giving investors cause to celebrate. The economy is booming as never before and forecasts generally indicete that 1989 should bring continued growth in spite of a slight slowdown.

Inflation has been kept in check by a happy combination of low oil prices and a strong yen, allowing the Japanese central bank to follow a relaxed monetary policy throughout the year. Investors are betting thet this healthy economic environment will last in 1989 and, given the impressive performance of the Nikkei average last year, that view cannot be dismissed as unduly optimistic. The Nikkei soared from an average of 23,719 in January to close the year fittingly at a record 30,159 on December 28.

Throughout the year investors responded enthusiastically to the Government'e policy of stimulating domestic demand and rehuilding the economy. Construction and property groups, railways and industry capitalised on the move to improve the nation'e quality of life and saw profits surge.

The year ended with sharp rises in leading stocks such as Nippon Steel, which more than doubled in price from Y359 in January to Y870 last Wednesday, and Mitsuhishi Heavy Industries, which climbed from Y495 in January to Y1,000 at the year-end.

On the redevelopment and leisure side, Mitsui Real Estate surged from Y1,430 to Y2,900 while Keisei Electric Railways closed on Wednesday at Y2,630, more than four times its Y605 price at the start of the year.

However, 1988 was not without its uncertainties. The market, which had been shaken by the October 1987 crash, began the year in somhre mood. Share prices declined on the opening day – January 4 – for the first time in eight years. Investors were inclined to channel their funds into apparently less risky markets.

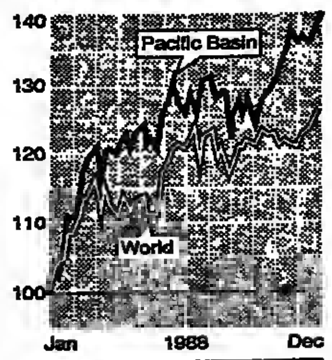
Average daily turnover for January was a sorry 592m shares. "Investors wers very cautious at the beginning of this year and were rather pessimistic abont the economy in Japan and worldwide," says Mr Susumn Kato, chief economist at County NatWest Securities Japan.

After a strong performance in the first four months, confidence was unsettled during mnch of the spring and summer by anxieties over rising interest rates overseas, a series of market-related scandals and a flood of new issnes that seemed likely to sap the market of what energy it had left.

According to Mr Peter Tasker, senior analyst at Kleinwort Beneon International: "Lesson One for 1988 was the same as in 1987, and will probably be the same in 1989 – the extreme interest rate-sensitivity of the Japanese stock market." Last year, as domestic long-term rates were relatively stable in a low range, that sensitivity was directed mainly at the effect that higher rates ahroad would have on short-term rates at home.

On numerous occasions, particularly in the summer when the US Federal Reserve Board raised its official discount rate, signs of overheating in the US economy sent a shiver through the Tokyo stock market.

FT–A World Indices in £ terms



In the midst of this came a series of scandals that rocked the Japanese business and political community and further dented investor confidence. There were insider trading allegations involving the country's largest steel company, and charges of fraud were hrought against former employees of Japan's largest broker. There were bankruptcies, a disappearance and a mnrder involving Japan's peculiar breed of greenmail specialists.

The most devastating blow, however, was the scandal in which pre-registration shares of property group Recruit Cosmos were distributed to politicians and leading businessmen on a preferential basls, enahling them to make enormous profits by selling those shares after the company was regietered on the over-the-counter market.

Receiving pre-registration shares and selling them at a large profit is not illegal, but the public outrage at influential business leaders and politicians making easy profits in exchange for services cast a shadow over equity trading as a whole.

Tbe Government moved quickly to regulate market practices and tighten the rules of a proposed capital gains tax. While investors wers nervously awaiting the outcome of the debate within the Diet (Parliament), the authorities moved to clamp down on excessive speculation, insider trading and abnormal rises in the prices of newly-listed stocks. It left investors worrying that the fizz would disappear from the market.

A wave of new issues during the summer seemed finally to put some pressure on Tokyo's famous excess liquidity. The big city banks flooded the market with equity and convertible bond issues aimed at shoring up their capital adequacy ratios, while many rich corporations took advantage of the favourable conditions to raise money to play the financial markets.

The enormous third tranche of shares in the newly privatised Nippon Telegraph and Telephone (NTT) was floated in October, and succeeded only when the share price tumbled dramatically, falling far below the Y2.55m second tranche price to Y2m on the day the third tranche was launched.

Yet the market managed to weather the year's crises surprisingly well. Tougher capital gains provisions, when they finally appeared, turned out not to be so tough after all.

In spite of the poor performance of NTT, shares of Mitsubishi Motor Company, offered in November, were spoken for even before they were scheduled to go on sale. "Look at the reality of the monetary factors," says Mr Hideo Nakazawa, general manager of equities at Nomura Securities. Money supply rose by 12 per cent in Japan compared with 5 to 6 per cent in the US. Interest rates have fallen 23 per cent since the autumn of 1987. "This alone will have a major effect on equity prices," he says.

Mr Nakazawa is etrongly optimistic for the new year. His bullish view – which echoes that of many Japanese traders – is reflected in his comment on the arbitrage activity by foreign brokers that pushed the Nikkei average above 30,000 last month.

EUROPE

Optimistic bourses stride into 1989

MUCH OF continental Europe got back into the swing of trading on an optimistic footing yesterday, with several bourses beating their 1988 highs and Stockholm recovering from sharp falls on Monday, *writes Our Markets Staff.*

FRANKFURT picked up sharply on its second day of trading of 1989 as domestic institutional buyers found few sellers of blue chips. The FAZ index gained 12.54 at midsession to 560.77, its highest level for more than a year, and the DAX closed 24.32 better at 1,359.33, or more than 15 points above its 1988 high.

A strong rise in volume to DM4.3bn gave the rally credibility. Domestic funds were said to be seeking stock abroad because of the shortage of sellers, but there was also buying from the US and the UK.

A recalculation of the FAZ index was also a factor in pushing prices higher: in particular, the insurance sector's weighting in the index has risen from 2.9 per cent to 12.68 per cent, providing an incentive to index-based funds to buy the sector. Leader Allianz duly rose DM50 to DM1,945.

Utility Veba added DM10.50 at DM281 amid reports that German analysts had been upgrading their earnings forecasts.

AEG rose DM8.50 to DM204.50 on speculation that Daimler was increasing its 80 per cent stake.

PARIS had a brisk start as investors opened the year on an optimistic note, although profit-taking set in later.

Volume was heavy in select stocks and was estimated by one analyst at FFr1.9bn. The CAC General index rose past last year's high to 418.4, up 2.3, but by the close the OMF 50 index had eased 0.52 to 436.25.

The car sector had a lot of drive initially, with Peugeot rising FFr11 to FFr1,410 before falling back to FFr1,390. Epeda climbed FFr30 to FFr1,120.

Heavy engineering stock Alsthom was heavily traded, with about 110,000 shares dealt, rising FFr5 to FFr434, having been up FFr18. It continues to benefit from news of its Spanish railway contract and its link-up with Britain's GEC. The market also heard yesterday that Alsthom is looking for a European partner for its shipbuilding business.

Fives-Lille, also in the heavy engineering sector, was another sharp mover, jumping 11 per cent to FFr232, up FFr23.

ZURICH had a lively session punctuated by some profit-taking and the Crédit Suisse index added 7.2 to 531.6.

Nestlé saw good demand for both its bearer and registered shares. Its bearers closed up SFr150 at SFr7,390, having been as high as SFr7,450, while its registereds added SFr50 to SFr6,750 after reeching SFr6,875.

Chemicals were active, helped by news from Hoffmann-La Roche that its Canadian affiliate Sapac was increasing its dividend. Hoffmann-La Roche baby shares added SFr400 to SFr13,125 and Ciba-Geigy bearers rose SFr75 to SFr2,720.

MILAN was another strong performer, although turnover remained modest. The Comit index rose 5.04 to 598.27 after ending on Monday just below its 1988 high of 593.43. Yesterday's gains took it back to its level just after the October 1987 crash.

Turnover was estimated by brokers at L120bn-L140bn and one Italian specialist said this was not bad considering Milan closes again for the Epiphany holiday on Friday.

Mutual fund figures for December showed a net cash outflow of L870bn, a deterioration from November's L603bn, but analysts cautioned that the Christmas period with its emphasis on shopping could make December an aberration.

The telecommunications and insurance sectors were generally strong, but Ras fell L190 to L45,300 after the company denied speculation of a bonus issue.

AMSTERDAM came off sharply when Wall Street's early falls sparked a round of profit-taking after more than two weeks of gains. The new CBS all-share closing index was 0.8 lower at 166.7 in active volume worth Fl 839m.

Among internationals, Philips stood out with a 20-cent gain to Fl 34.80, with investors taking the view that it was undervalued. The share has been rising steadily since it announced an unchanged 60-cent dividend on December 8.

Rumoured takeover target Nedlloyd was volatile, ending Fl 7.50 lower at Fl 285 after reaching Fl 301.

STOCKHOLM showed remarkable resilience following Monday's drop, after investors gave further consideration to government tax changes, which include a levy on inter-market maker dealing. The Affärsvärlden index rose 16.3 to 984.8, a gain of 1.7 per cent.

One trader in London said Monday's fall of about 4.5 per cent in the index was exaggerated by low volumes. The one-off 15 per cent tax on corporate profits was less drastic for most industrials than had first been thought, he said.

Trelleborg traded heavily on firmer international metal prices, with its restricted B shares up SKr11 at SKr272.

OSLO finished at a post-crash high as shares benefited from steadier prices for Norway's North Sea oil and optimism about the economy. The all-share index gained 7.66 to 350.45 in active turnover, after technical problems had halted trading earlier in the day.

MADRID rose initially in thin trading but fell back to end little changed, with the general index off 0.03 at 276.02.

FOR THE first time the Irish Stock Exchange yesterday issued its own official equity index, *writes Kieran Cooke in Dublin.*

The new index includes all of the official list and USM equities, but does not cover British-registered companies with considerable Irish interests such as Guinness and Grand Metropolitan.

For the time being the Stock Exchange index will be issued once a day at 5 pm, based on 3.30 pm prices, but later it will be issued twice a day.

Mr Tom Healy, General Manager of the Dublin Exchange, said the index would be the most accurate available and would be updated on a daily basis to take account of movements in the share base.

The index will also give the value of the previous day's trading volume. It can track share movements back over the past five years.

SOUTH AFRICA

GOLD stocks were unmoved to slightly lower in Johannesburg yesterday, as the holiday mood continued and kept trading thin. Vaal Reefs dropped R1 to R261, Driefontein lost 75 cents to R32.75 and Kloof eased 60 cents to R31.40.

Mining financial Anglo American gained R1.75 to R61.75.

ASIA PACIFIC

Hong Kong celebrates with strong surge

ONLY Hong Kong managed to celebrate the new year with a rise among the Asia Pacific markets. Australia and Singapore had a lacklustre day, while Manila saw heavy losses. Tokyo, Seoul and Taipei were closed.

HONG KONG kicked off 1989 in style with a rise to its highest level in five months. Turnover was thin at HK$653m, down from HK$815m on Friday, but this did not dampen some brokers' optimism.

The Hang Seng index broke the 2,700 resistance point after half an hour's trading and finished 19.25 higher at 2,706.69, while the more broadly-based Hong Kong index gained 12.91 to 1,785.09.

Properties and utilities led the advance, with a 43-point rise in the property sector index to 4,480 and a 27-point gain in utilities to 3,131.

AUSTRALIA found little to guide it and shares drifted lower in line with March index futures contracts. The All Ordinaries index lost 7.4 to 1,480.0 in very quiet trading of 40m shares worth A$84m.

Industrials came under most pressure, with big resources stocks mixed.

Westpac, the leading bank, dominated turnover as it fell 4 cents to A$5.24 on 5.1m shares worth A$34m. Adelaide Steamship was reported to be a seller of Westpac and itself fell 4 cents to A$5.60. Much of the turnover in Westpac, however, was explained as the result of investors exercising put options.

SINGAPORE finished lower at the end of its first session of the year, with trading lacklustre and volumes thin. The Straits Times industrial index gave up 4.39 to 1,034.23 and volume was 12.9m shares worth S$21m. On Friday, 20m shares changed hands.

MANILA dropped by 2 per cent in response to news that the Philippine Securities and Exchange Commission was suspending trading in Interport Resources for 10 days.

The SEC is investigating the Interport management for allegedly forfeiting 75 per cent of unpaid subscription rights to the company without first notifying the subscribers.

The composite index, which tracks 25 selected issues, fell 19.22 to 828.21.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 2 1989					FRIDAY DECEMBER 30 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	144.49	+0.0	118.42	112.58	4.76	144.49	118.42	112.58	152.31	91.16	102.61
Austria (18)	95.92	+0.0	78.62	88.61	2.78	95.94	78.63	88.63	100.00	83.72	98.18
Belgium (63)	134.57	-0.4	110.29	123.95	4.07	135.10	110.72	124.44	139.89	99.14	101.28
Canada (126)	125.55	+0.0	102.89	108.50	3.37	125.55	102.89	108.50	128.91	107.06	113.01
Denmark (39)	157.11	+0.3	128.76	146.58	2.07	156.66	128.39	146.17	159.19	111.42	114.46
Finland (26)	129.44	-1.1	106.08	113.07	1.48	130.87	107.26	114.33	139.83	106.78	113.63
France (131)	115.04	+0.0	94.28	109.31	2.95	115.04	94.28	109.31	115.04	72.77	84.90
West Germany (102)	88.35	+0.5	72.41	81.49	2.31	87.96	72.08	81.12	88.54	67.78	73.03
Hong Kong (46)	111.80	+0.0	91.63	112.07	4.43	111.80	91.63	112.07	111.86	84.90	88.15
Ireland (18)	131.78	+0.0	108.00	123.42	4.06	131.78	108.00	123.42	144.25	104.60	104.60
Italy (98)	85.40	+0.3	69.99	83.30	2.43	85.13	69.77	83.03	86.73	62.99	76.91
Japan (456)	191.50	+0.0	156.95	151.31	0.50	191.50	156.95	151.31	191.50	133.61	136.69
Malaysia (36)	143.50	+0.0	117.61	149.71	2.84	143.50	117.61	149.71	154.17	107.83	111.87
Mexico (13)	161.84	+0.0	132.63	404.76	1.26	161.84	132.63	404.76	182.24	90.07	106.43
Netherland (38)	113.49	+0.0	93.01	103.73	4.75	113.41	92.12	102.74	113.49	95.23	99.37
New Zealand (25)	67.60	+0.0	55.40	56.98	6.93	67.60	55.40	56.98	84.05	63.32	75.88
Norway (26)	139.92	+0.7	114.67	124.68	2.18	138.93	113.86	123.80	140.03	98.55	103.60
Singapore (26)	125.10	+0.0	102.53	112.07	2.38	125.10	102.53	112.07	139.89	97.99	97.99
South Africa (60)	116.85	+0.0	95.76	98.24	4.70	116.85	95.76	98.24	139.07	98.26	134.38
Spain (42)	148.63	+0.2	121.81	127.57	3.20	148.39	121.61	127.37	164.47	130.73	130.85
Sweden (35)	138.45	-4.3	113.47	125.54	2.28	144.60	118.51	131.12	144.97	96.92	97.35
Switzerland (57)	78.08	+0.0	63.99	72.73	2.33	78.08	63.99	72.73	86.75	74.13	81.24
United Kingdom (318)	135.31	+0.0	110.90	110.90	4.87	135.31	110.90	110.90	141.51	120.66	134.92
USA (573)	113.18	+0.0	92.76	113.18	3.67	113.18	92.76	113.18	115.56	99.19	104.09
Europe (1011)	114.68	+0.1	93.98	100.54	3.74	114.59	93.91	100.46	116.61	97.01	104.04
Nordic (126)	136.94	-1.9	112.23	120.82	2.11	139.62	114.42	123.18	-	-	-
Pacific Basin (679)	186.33	+0.0	152.71	148.03	0.71	186.33	152.71	148.03	186.33	130.81	133.49
Euro-Pacific (1690)	157.64	+0.0	129.20	129.22	1.61	157.61	129.17	129.19	158.08	120.36	121.77
North America (699)	113.84	+0.0	93.30	112.92	3.65	113.84	93.30	112.92	116.07	99.78	104.56
Europe Ex. UK (693)	101.54	+0.1	83.22	94.36	2.89	101.40	83.11	94.22	101.54	80.27	94.92
Pacific Ex. Japan (223)	124.57	+0.0	102.09	106.69	4.59	124.57	102.09	106.69	128.27	87.51	94.92
World Ex. US (1889)	156.13	+0.0	127.95	128.35	1.68	156.09	127.92	128.32	156.39	120.26	121.60
World Ex. UK (2144)	140.08	+0.0	114.80	124.51	2.03	140.06	114.78	124.49	140.08	111.77	112.82
World Ex. So. Af. (2402)	139.78	+0.0	114.56	123.37	2.26	139.76	114.54	123.35	139.78	113.26	114.06
World Ex. Japan (2006)	114.67	+0.0	93.98	108.37	3.73	114.64	93.95	108.34	115.54	100.00	104.31
The World Index (2462)	139.64	+0.0	114.44	123.20	2.27	139.62	114.42	123.18	139.64	113.37	114.79

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).
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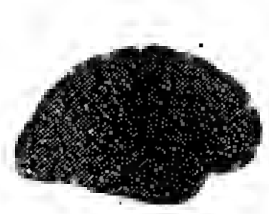
It has been decided to include a Nordic regional index, covering Denmark, Finland, Norway and Sweden, with effect from January 2, 1989.
Markets open January 2: Austria, Belgium, Denmark, Finland, West Germany, Italy, Netherlands, Norway, Spain and Sweden.
Latest prices were unavailable for this edition.


3 Harbour Exchange Man.


High City Overhead Man.

High among the mysteries of Man's evolution is the case of 3 Harbour Exchange Man and High City Overhead Man.

Both occupied offices in the late 1980's doing similar work, yet while the latter merely 'existed,' the former apparently flourished.

Why?

Well, environment was certainly a factor.

It's believed that at this period 3 Harbour Exchange Man moved from his expensive City origins to a spacious high specification office development in London's Docklands.

Here, he was able to go about his work in pleasant surroundings consisting of spectacular river views, landscaped walks, car parks and a variety of excellent shops, restaurants and sports facilities.

And, by making this fifteen minute migration from the City, he made a net saving of over £7 million in four years in overheads – which improved his lot still further.

High City Overhead Man, constantly hounded by bigger and bigger rates and rents, was eventually forced to follow in 3 Harbour Exchange Man's footsteps. But, for many, the delay caused unnecessary suffering, and for some, extinction.

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